National Restaurant Association

Vol. 4 ☐ No. 3 ☐ March 1984

NRA NEWS

INTERNATIONAL MARKETS
NEW FRONTIERS

Vol. 4 No. 3 March 1984

NRA NEWS

In good times and bad, NRA is working for you

The NRA Economic Forecast for 1984 called for a three-percent increase in sales this year. As we end the first quarter, there is no reason to doubt that rosy prediction. Business is good.

While we enjoy a growth period, however, we cannot afford to overlook the problems which beset our industry. Certainly, the people at NRA have not.

• Wide public concern about drunk driving has focused attention on restaurants and taverns. The number of third-party lawsuits resulting from traffic accidents involving drunk driving is growing steadily.

The NRA Task Force on Alcohol Awareness met early this month to coordinate the industry's response to this problem. It is producing a comprehensive program that will allow us to join the nationwide campaign against DWI while still defending our own interests.

• The Food and Drug Administration is debating what action to take on the question of sulfiting agents in the foods we serve. The threat of unreasonable labeling requirements is very real.

The NRA Task Force on Additives meets shortly to find alternative methods of warning asthmatics who are sensitive to sulfites about the possible danger to their health.

• Finding suitable employees to commit themselves to our industry is a perennial problem. The situation grows worse as the number of youngsters entering the work force decreases.

An NRA Board level committee met in Boston this month to organize a campaign aimed at vocational guidance teachers to promote careers in foodservice.

• Training employees—once we find them—to a high standard of hospitality is another perennial problem.

This month, NRA completed the test run of the Hospitality Workshop—a two-day seminar designed to train managers to set hospitality standards for their own establishments and then teach employees how to maintain those standards.

The workshop was a complete success. The NRA Hospitality system works. (See p. 2) Many firms are signing up for in-house offerings of the program. Others will send managers to participate in the general offering schedule to begin next summer.

• And in Washington, the NRA Government Relations department began battling yet another tax bill that includes an increase excise tax on liquor and higher FUDA taxes. Be prepared to respond to "Action Calls" when you receive them.

NRA is working for you. That's why your support of the association—in good times and bad—is appreciated.

Sincerely,

Harris O. Machus

Harris Machus
Vice President

Officers
Chairman of the Board and President
Joe R. Lee
Vice President
Harris O. Machus
Treasurer
Ted Balestreri
Executive Vice President
William P. Fisher
Corporate Secretary
Ruth K. Tracy

Chairman
Communications Committee
Harris H. Rusitzky
Executive Committee
Walter Conti
John G. Dankos
Thad A. Eure
Robert Flickinger
G. "Jim" Hasslocher
Larry Hilaire
Jack A. Laughery
Michael O'Neal
Jim Peterson
John L. Rian
Harris H. Rusitzky

Senior Director
Jeffrey R. Prince
Executive Editor
Steven J. Dahllof
Editor
Sylvia Rivchun
Communications Specialists
Carol A. Caprione
Elyse G. Cuttler
Government Relations Coordinator
Jay Morris
Research Analyst & Senior Writer, Foodservice Trends
Cecelia L. Niepold
Staff Contributors
Walter Ashcraft
Joan E. Campbell
Tom C. Corcoran
Dorothy Dee
Clyde L. Griffith
Kathy Groiss
Bette B. Hoyt
Cathy Kenney
Susan E. Mills
Robert A. Palmer
Andrew P. Poledor
James T. Rogers
Editorial Typist
Barbara Foley
Valerie Pines

Editorial offices and NRA headquarters
311 First Street, N.W.
Washington, DC 20001
(202) 638-6100

Chicago offices
One Park Place, Suite 2000
Chicago, IL 60601
(312) 853-2525

NRA NEWS (ISSN 0465-7001) is published monthly, except combined June/July issue, by the National Restaurant Association, 311 First St., N.W., Washington, DC 20001. Membership dues include a one-year subscription to *NRA NEWS*. The non-member subscription fee is $125 per year. Second-class postage paid at Chicago, IL 60607 and additional mailing offices. Copyright © NRA 1984. Postmaster, send address change to NRA News, 311 First St., N.W., Washington, DC 20001.

All rights reserved.
Reprint with permission only.

CONTENTS

Cover Story

The franchise restaurant industry continues to boom, and there is no slowdown in sight. Franchisors are operating units from coast to coast, and many have taken their concepts to other nations. This month the ***NRA NEWS*** takes a closer look at franchise restaurants, with a special focus on international expansion.

8 International markets are the new frontiers of the franchise restaurant segment, and they pose special challenges for franchisors.

12 The military offers growing opportunities for fast food operations.

13 If your restaurant is doing well and you want to replicate it, how do you go about it? This article looks at some of the key points you should consider if you want to franchise a restaurant concept.

Related Departments:

7 What a franchisee should consider in the franchise agreement. *(The Law)*

28 Franchising trends and an analysis of franchise restaurant types and international markets. *(Foodservice Trends)*

Specials

Nutrition **17** Part V of NRA's five-part series on nutrition and the American restaurant. This month the focus is on how restaurateurs are telling their customers about their nutrition programs.

Business meals **20** There are small business people all across the country who conduct their business most effectively over a meal. This article looks at the importance of the business meal deduction from the business representative's point of view.

Renovations **22** The rewards of remodelling are many—from increased morale to greater profits. Here's a look at how some restaurants have gone about giving their operations a facelift.

Construction **25** How to increase productivity on your next building project.

Departments

Short Orders **2** First NRA member completes Hospitality Project. Special enrollment period for NRA life insurance plan.

Washington Report **3** NRA is seeking alternatives to labeling of sulfiting agents. Small Business Administration adjusts size standards.

Board Room **6** Bill Fisher named executive vice president of NRA.

Technical Services **27** Tips on how to prevent foodborne illnesses.

Half Baked **40** A fishy Father's Day promotion. Salt-sensitivity test in the works.

SHORT ORDERS

Special enrollment period for NRA life insurance plan

A special enrollment period is now in effect for the NRA Group Life Insurance Plan, which allows NRA members and spouses to obtain coverage with minimal acceptance requirements.

Until May 1, 1984, all members, key employees, and/or their respective spouses will be automatically guaranteed acceptance for a $20,000 policy as long as they are under 55 years of age and can answer "no" to two qualifying health questions:

1. During the past 90 days were you unable to perform the material duties of your occupation on a full-time basis for 30 or more hours per week at your usual place of business because of sickness, disease or bodily injury?
2. Have you ever had or been treated for heart trouble, high blood pressure, diabetes or cancer?

This is the first time so much coverage is being offered with such a liberal guarantee. It is also the first time spouses are being allowed to enroll in the plan.

The NRA plan provides complete coverage for death from any cause, at any time, in any place. The one exception is suicide, which is not covered during the first year the insured's coverage is in force.

Special features of the plan include a waiver of premiums in case of permanent disability, guaranteed renewability regardless of health to age 70 and guaranteed conversion rights at age 70 or upon termination of NRA membership (or employment with an NRA member).

Like all NRA-sponsored insurance plans, premium rates for this plan are very reasonable due to the group buying power of NRA and the economies of efficient standardized administration of the plan.

Further information on the NRA Group Life Insurance Plan is being sent to each member. For answers to immediate questions concerning this plan, contact NRA's insurance administrator Albert H. Wohlers & Co., NRA GROUP INSURANCE PLANS, 1500 Higgins Rd., Park Ridge, IL 60068.

First NRA member implements NRA's Hospitality Project

The Serv-Rite Food Service Corporation of Rochester, NY, is the first NRA member to implement the Hospitality Project. NRA's Hospitality Project provides restaurant operators and their staffs with measureable standards for quality service.

NRA presented the Hospitality Project in October 1983 to the Serv-Rite management staff. Vice President Stanley Gilbert assumed the position of project coordinator, overseeing the training of management and staff as well as project implementation. The corporation successfully completed all staff, management, project coordinator and restaurant certification steps as well as the Hospitality Project Self-Auditing Checklist in four months.

The Serv-Rite Corporation has annual sales of $5 million and employs 200 people at 20 facilities. The company specializes in school, college and institutional foodservice, industrial cafeterias, catering and consulting services.

NRA in Action

NRA Show information is coming your way

Next month's *NRA NEWS* will feature a special pull-out newsletter on the 1984 NRA Restaurant, Hotel-Motel Show. The newsletter will include a comprehensive schedule and will focus on special Show activities and speakers.

NRA-supported bill introduced in Senate

After discussing the central kitchen issue with NRA, Sen. Huddleston (D-KY) introduced a bill in the Senate which would exempt central kitchens from Federal Meat and Poultry Inspection. For more information on the Senate bill see *Washington Report* in this issue.

NRA Task Force on Alcoholic Awareness

NRA's Task Force on Alcoholic Awareness was formed by the NRA Board of Directors to coordinate the industry's response to the problem of drunk driving. For more information on the task force and NRA efforts, see *The Board Room* this month.

NRA's Show seminar series

NRA's Education Programs Department will offer 12 of its top seminars on May 19 and 20. Look for a schedule in the mail.

Directory of gas foodservice equipment

A newly revised "Directory of Gas Food Service Equipment" has been published by the foodservice equipment division of the Gas Appliance Manufacturers Association (GAMA).

The directory gives brief descriptions of various types of equipment and indicates which companies in GAMA's foodservice equipment division produce each type. Categories shown include broilers, counter equipment, deep fat fryers, food holding and warming equipment, griddles and grills, ovens, ranges and steam equipment.

Copies are free from Gas Appliance Manufacturers Association, 1901 N. Fort Myer Dr., Arlington, VA 22209; (703) 525-9565.

WASHINGTON REPORT

Supreme Court decides Lone Steer case

Does a Department of Labor (DOL) compliance officer have the right to enter your restaurant and conduct a wage and hour investigation without first obtaining a warrant?

That was the question NRA hoped the Supreme Court would decide when it took up *Donovan vs. Lone Steer, Inc.* last November. But when the Court made its decision in January, it skirted the issue of whether DOL's enforcement authority is constitutional and simply ruled that DOL may issue an administrative subpoena requesting that an employer produce certain records off his premises. Thus, the question of warrantless entry remains unanswered, and the Court's ruling has little effect on the way DOL will conduct investigations.

The case stemmed from a 1982 district court ruling in favor of Lone Steer, Inc., a restaurant and motel operation in Steele, ND. Lone Steer refused to allow a compliance officer in the nonpublic area of the establishment because the officer had not obtained a search warrant. Lone Steer also refused to comply with an administrative subpoena requesting that certain payroll records be provided to DOL off the premises.

In siding with Lone Steer, the district court concluded that the enforcement provision of the Fair Labor Standards Act (FLSA) "is unconstitutional insofar as it purports to authorize a warrantless inspection of records by way of administrative subpoena after entry to inspect has been denied."

DOL appealed the case to the Supreme Court, and NRA filed a friend-of-the-court brief supporting Lone Steer.

But instead of ruling on the constitutionality of DOL's enforcement authority, the Supreme Court simply reaffirmed its decision in an earlier case, *Oklahoma Press*, that DOL can use an administrative subpoena to gain access to employee records.

Although the Court ruled against Lone Steer, the decision is not necessarily a victory for DOL. The Court made it clear that the government has a right to subpoena records, but the decision leaves untested DOL's authority to enter a business.

Reagan proposes youth wage

As part of his budget request for fiscal 1985, President Reagan once again is calling on Congress to approve a minimum wage of $2.50 an hour for those under age 22. The proposed youth wage would be in effect only during the summer months.

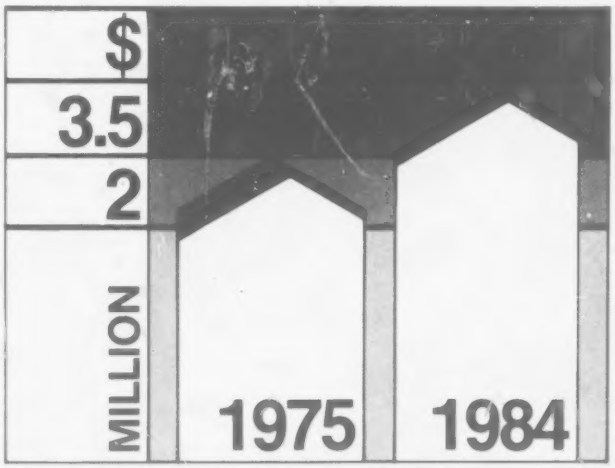
In his budget message, Reagan said it has "long been acknowledged" that the federal minimum wage is a barrier that makes it difficult for youth to find work. A youth wage, he said, "will let employers lower their costs to levels more in line with the skills youths possess, and it will help many young people find jobs and gain valuable work experience."

The President advanced a similar proposal last year, but it received little attention on Capitol Hill.

SBA adjusts size standards

The Small Business Administration (SBA) has revised its small business size standards, raising the ceiling for restaurants from $2 million in annual sales to $3.5 million.

Supported by NRA, the new regulations mean that a restaurant or bar with annual sales of $3.5 million or less will be eligible for SBA assistance and programs, SBA direct and indirect loans as well as small business procurement contracts. The new size standard was published in the Feb. 9, 1984, *Federal Register* and is effective Mar. 12, 1984.



In proposing an increase last May, SBA said the ceiling needed to be adjusted for inflation to "put the size standards on a real dollar equivalent to the time of the last general adjustment." The last time the standard was changed was in 1975, when it was set at $2 million for restaurants.

The publication of the new standard brings to a close a four-year effort on the part of SBA to revise the size standards. During that time the agency published several unpopular proposals to change the standards, including one opposed by NRA that would have based them on the number of employees in an establishment rather than on gross receipts.

NRA is seeking alternatives to labeling of sulfiting agents

Concerned that the Food and Drug Administration (FDA) may seek mandatory labeling of sulfiting agents in restaurant food products, NRA is studying alternatives for notifying the public that would be acceptable to the foodservice industry and the government.

Sulfiting agents—used in the food industry as a preservative and anti-browning agent—are now thought to cause adverse reactions in certain individuals, especially asthmatics. Last year NRA asked its members to stop using the chemical until FDA tested it to determine whether it was a health hazard. Since that time, more than 100 reactions have been reported to FDA, and a number of them are under investigation by the Center for Disease Control.

As an interim measure FDA asked retail establishments, including restaurants, to alert their customers to the presence of the preservative in foods by labeling, menu notices or signs. Now FDA is said to be considering mandatory labeling, a move NRA believes would pose serious problems for the restaurant industry.

NRA believes it would be extremely difficult, if not impossible, for a restaurateur to accurately determine which of the foods he uses contain sulfites and whether the levels are considered hazardous. Sulfites are added to a number of food products at the initial stages of production, and it would be extremely difficult to determine how much residue remains after the food has gone through those production stages. For example, even if an operator were able to determine that a potato product he bought at wholesale contained traces of sulfites, should he be required to label his mashed potatoes after he cooked them on the premises?

NRA also believes that it would be unfair for FDA to require labeling when only a small percentage of the population reacts violently to its use in foods. A better approach, NRA feels, may be for FDA to alert the health-care profession to reports of reactions and to ask doctors to inform sulfite-sensitive patients of possible health hazards.

NRA sees little value in the labeling of sulfites if customers are not aware of the effects of the chemical on certain people. NRA also is concerned that a requirement that sulfites be labeled will lead to labeling of other additives.

NRA opposes bill to raise drinking age

Just two days after the House Energy and Commerce Committee approved a bill (H.R. 3870) to establish a national drinking age of 21, the NRA Board of Directors voted to actively oppose any federal attempt to regulate the drinking age. In making its decision, the board said it felt that legislation like H.R. 3870 is unconstitutional, since the 21st Amendment gives the states exclusive authority to regulate the sale and consumption of alchohol.

The board also said NRA should make a strong effort to increase public awareness and understanding of the drunk driving problem, and it voted to establish a task force on alcohol awareness "to plan and coordinate industrywide activities to assist in efforts to solve the problem of drunk driving." (See related story in Board Room.)

H.R. 3870 was introduced last year by U.S. Rep. James Florio (D-NJ). It is one of several bills in the House and Senate that would raise the drinking age. The Florio bill has the best chance of seeing floor action. The bill would make it illegal for any establishment engaged in interstate commerce that sells alcoholic beverages (i.e., any restaurant or bar) to sell liquor to those under 21.

During markup of the bill in February, the Energy and Commerce Committee agreed to an amendment by Rep. Norman Lent (R-NY) that would postpone enforcement for two years and exempt states from the bill if they raised their drinking age to 21.

Although a number of consumer groups and legislators favor establishing a national drinking age of 21 as a means of reducing alcohol-related traffic fatalities, there is evidence that raising the drinking age does not necessarily accomplish this. During hearings last October on H.R. 3870, the National Licensed Beverage Association testified that, in states where sufficient evidence is available, raising the drinking age has not resulted in a significant decrease in accidents. In three of these states the number of accidents actually increased.

Industry has also questioned how practical the Florio bill would be. For example, there are no provisions for enforcement, and it is unclear whether those under 21 would be allowed to serve alcoholic beverages. Also, the bill would only control the sale of alcoholic beverages. It places no age restrictions on the consumption of alcohol, such as at private parties or at home.

Sen. Boren addresses NRA Board

"We've got to deal with the deficits now," was the message Sen. David Boren (D-OK) delivered to the NRA Government Relations Committee last month. In a speech to the NRA Board of Directors, Boren said that if something is not done soon to reduce federal red ink, the economic recovery will sputter and interest rates will zoom.

Boren, who sits on the Finance Committee and favors a constitutional amendment to balance the budget, painted a bleak picture for the country's future if government spending is not brought under control.

Boren said the Wharton School of Finance has predicted that "if we continue on our present course, the U.S. government will take 67 percent of all available credit to service the national debt before 1988. That means only one-third of all credit would be available for private sector expansion. Obviously, if that happens, interest rates will go sky high and that will put the economy on the wrong track again."

Uncertainty about the economy, particularly fluctuations in interest rates, is the leading reason for business's current reluctance to expand, he said. The senator added that tax bills, like the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA), are "just Band-Aids that do little to solve our problems." TEFRA contained the controversial tip allocation requirement, which Boren cited as an example of the way Congress raises small amounts of revenue at the

expense of the private sector.

Because Boren realizes that enactment of a constitutional amendment to balance the budget "could take years," he favors an interim proposal to reduce future indexing of income tax rates and cut growth in federal entitlement programs.

Such a proposal, he claims, would raise about $250 billion over three years but will probably not be considered this year because of the election. Boren believes prospects are brighter for 1985. This year, the senator expects Congress to pass a modest tax bill that should yield $20 to $25 billion over a four-year period. It will be "TEFRA-like" in its approach, he said, with changes in the tax code that would affect a number of industries.

Boren also is optimistic that Congress will pass an extension of the Targeted Jobs Tax Credit (TJTC), which is due to expire at the end of this year. The credit is used extensively in the foodservice industry, and NRA supports a bill introduced by Sen. John Heinz (R-PA) to extend it for five years.

Boren said, too, that he supports NRA's efforts to change the tip reporting law, but he noted that it would be tough to get the changes through the Senate.

Bill to exempt restaurant central kitchens from inspection

As a result of NRA lobbying efforts bill S. 2256 that would exempt restaurant central kitchens from federal meat and poultry inspection was introduced by Sen. Walter Huddleston (D-KY) on Feb. 3. Huddleston is the ranking Democrat on the Senate Agriculture Committee and introduced the bill after discussing the central kitchen issue with NRA.

S. 2256 would exempt from federal inspection restaurant central kitchens that prepare ready-to-eat meat and poultry products for sale to patrons at restaurants owned or operated by the owners of the central kitchens. Those central kitchens that cook food to be sold in packaged form would continue to be inspected.

Huddleston noted that he was introducing the bill in response to a March 1983 USDA Food Safety and Inspection Service study. That study concluded that the inspection of restaurant central kitchens—which supply prepared food to their own restaurants—is burdensome.

Huddleston said it "had been my hope that this matter could have been resolved administratively. However, it was the opinion of the Office of General Counsel of USDA that an exemption for restaurant central kitchens could be accomplished only through legislation."

NRA has argued on numerous occasions that central kitchens should be treated the same as restaurants which are exempt from federal meat and poultry inspection.

NRA believes many more restaurants would use central kitchens if they were not inspected by USDA, since these kitchens must now meet the same stringent requirements for sanitation, equipment and facilities required of meat packing plants.

Obviously, such strict guidelines make it difficult, if not impossible, for a small business to use a central kitchen.

If your operation would be helped by the passage of S. 2256, NRA urges you to contact your senators.

TJTC state handbook is being reviewed

A group of service industry business leaders, including a representative from NRA, has met with Labor Secretary Donovan's chief of staff to seek changes in new guidelines for the Targeted Jobs Tax Credit (TJTC). The credit is used extensively in the foodservice industry. It gives employers a tax break if they hire individuals from nine targeted groups.

Last year, the Department of Labor (DOL), which administers TJTC, began final preparation of an employment handbook for state job services offices to use in implementing the program. The handbook was originally scheduled to be released last fall but has been delayed as a result of the meeting with Donovan's aide. The handbook contains language many TJTC users feel could kill the program, and DOL now says that it will allow NRA and other industry groups to suggest changes before it provides the final version to the states. *—Jay Morris*

THE BOARD ROOM

NRA task force organizes industry response to drunk driving

NRA's Task Force on Alcohol Awareness met in Washington on March 8 and 9. Chaired by Michael Grisanti (Casa Grisanti, Inc.), the task force is coordinating the industry's response to the problem of drunk driving.

The agenda for the two-day meeting included such topics as employee education, industry practices, alternative forms of transportation and perception of the industry. The task force will evaluate and endorse practices and programs and make recommendations to the NRA board.

The task force, composed of educators, state association executives and leaders of firms dispensing large volumes of alcoholic beverages, is one part of the extensive drunk driving program authorized during the February board meeting. The NRA directors passed successive resolutions calling for

1. the development of an education program for managers and servers in establishments that serve alcoholic beverages
2. the production of display materials that communicate the dangers of drunk driving to guests and employees and
3. the establishment of the task force to coordinate industrywide activity.

"The NRA membership believes in the moderate and responsible dispensing of alcoholic beverages," said NRA President Joe R. Lee. "Even though restaurants and taverns dispense only one-fourth of the alcohol consumed in the country, we recognize the tragedy that can result from driving after excessive drinking and have committed our resources to increasing public awareness and understanding of the problem."

The NRA Board of Directors authorized the immediate development of a workshop designed to teach servers how to deal with the situations that could lead to drunk driving. During the spring, this program will be offered first by NRA and then through state restaurant associations in every region of the country.

The board also authorized the development of posters, table tents and other materials that will help foodservice operators communicate concern about drunk driving to employees and guests. Sample table tents, featuring the slogan "Friends don't let friends drive drunk," have already been mailed to the membership. Other materials will appear in the months ahead.

Having taken these immediate measures, the board then established the task force of industry leaders to plan and coordinate ongoing industrywide activities aimed at assisting efforts to reduce the problem of drunk driving, a problem that reaches far beyond the restaurant and tavern industry.

The task force will also contact other organizations already involved in programs aimed at dealing with the problem. "To a great extent, we have committed the association to joining in a national campaign," Lee said. "The task force will tell us where and how we can make the greatest contribution."

NRA board appoints Fisher to chief staff position

The NRA Board of Directors confirmed the appointment of William P. Fisher as the association's executive vice president at its winter board meeting. Fisher succeeds Robert Neville, who will remain with NRA in an advisory capacity.

President Joe R. Lee stated, "Bill Fisher has a unique combination of association, academic and business experience in the foodservice industry. This experience provides a

broad framework from which to address the issues and opportunities before our industry today.

"We are very pleased with this appointment as Bill is exceptionally well qualified to meet the multi-faceted responsibilities of our association," Lee added.

Fisher most recently served as executive vice president of Service Systems Corporation, a Buffalo, New York-based contract management services firm. He was an assistant professor at Cornell University's School of Hotel Administration and is a director of the New York State Restaurant Association. He returns to the post of NRA executive vice president, a position he held for nearly five years in the mid-1970's.

"I am absolutely delighted to re-assume this position with the NRA," Fisher said. "I believe that the foodservice industry performs a service essential to this nation. The NRA must stay in the forefront of matters of common interest and concern to the industry. I look forward to participating and contributing to the process."

Commenting on Bob Neville's future role with the association, Lee said, "We are very pleased that Bob has agreed to act as an advisor to the association. He has assembled a remarkably cohesive and competent staff which has functioned very effectively under his direction. His presence will ensure continuity in the months ahead."

Fisher joined the NRA staff earlier this month.

THE LAW

The franchise agreement

A franchise agreement is nothing more than a contract, and many people sign contracts without reading them or subjecting them to legal scrutiny. In the same way, many franchisees fail to do their "homework" before committing themselves. If you're considering becoming a franchisee, you need to study the franchisor's package carefully and determine if you can live with all aspects of the agreement. After you sign, it's too late to argue for changes.

There's no such thing as a standard franchise agreement that applies to the entire industry. So your dealings with your franchisor will be governed in all particulars by the agreement you sign.

Agreements vary in terms of franchisor obligations, but commonly you might expect to obtain

- a license to use the franchisor's concept and name, trademarks, recipes, etc.
- territorial exclusivity
- business premises
- management help, training systems, advertising programs and
- general assistance that draws on the expertise of the franchisor.

Franchisors are also obligated by the Federal Trade Commission to provide prospective franchisees with a disclosure statement that outlines the company's business history and financial condition as well as any legal action taken against it by franchisees or others.

For their part, franchisors will look you over with the eye of a banker. Your financial and credit history and your employment background in foodservice will receive particular attention. A franchising company will try to evaluate whether an applicant can be trusted to maintain the company's standards and to follow all aspects of the company's program.

Financial obligations . . .

Many franchisors have had problems in the past with franchisees who either would not or could not follow company directives, and some successful franchise concepts have been ruined because of such failures.

That is why a franchisor may structure the agreement to be quite specific, even about small matters. A franchisor, in short, has its business well-being riding on its franchisees and must act accordingly.

The financial obligations of the franchisee are significant. Generally, you will pay a flat, one-time franchise fee, coupled with continuing royalties based on a percentage of your gross sales. Equipment, supplies, labor and rent payments will be your responsibility, although franchisors may provide you with some items at a discount. Franchisors will usually reserve the right to require further payments for advertising, and many large chains rely heavily on expensive television and print ads.

The advice to "consult an attorney" is particularly applicable for the person considering the purchase of a franchise. When you consider the enormity of both the financial obligations and the possible rewards, it's money well-spent.

An attorney may be able to suggest changes in the agreement to better protect you and get your relationship with the franchisor off to a more comfortable, secure start.

—Robert Palmer

International markets: new frontiers

by Elyse Cuttler

The lure of international expansion for American foodservice corporations seems a little like Columbus before his voyage. He knew something good was out there, but he really wasn't sure what he would find.

Oversaturation of certain concepts in some areas of the United States has led many foodservice operators into the international arena. Some companies have been sought out by foreign investors who were interested in bringing a U.S. food concept onto their soil, while other companies have been lured by the simple fact that they believed a viable market existed for their product.

However, the international market is not all glory. Many times, a company does not fully anticipate problems that can occur along the way, or it fails to understand the kinds of factors that influence possible market acceptance. One thing is certain: The foodservice operations that have succeeded in bringing their concepts overseas have worked long and hard to integrate them into the native culture.

Getting started . . .

For some foodservice corporations who have entered the overseas market, where to go was not the major consideration. According to Terry Rhoton, vice president of franchise sales and technical services for Popeye's Famous Fried Chicken, the NRA Show provided Popeye's with its initial exposure to the overseas market.

"We were approached by foodservice operators from Singapore and Malaysia, who expressed an interest in bringing the Popeye's concept to their countries. They were convinced that a market existed for our product," explains Rhoton. "Our restaurants are located in 35 states, and we wanted to concentrate on more development here." At that time the prime lending rate was 20 percent in the United States, while the rate in Malaysia was 8 ½ percent, so the company made the decision to expand internationally. Since then, Popeye's has continued its international expansion to include a total of 104 units overseas and in Canada.

A similar first experience in international franchising was reported by Gus Dussin, NRA director and owner of the Old Spaghetti Factory in Portland, OR. Three years ago Dussin was approached by a foreign investor from Japan, who wanted to franchise the Old Spaghetti Factory concept in that country.

"The climate was right for expansion," says Dussin. "The Japanese economy was strong, and we felt that the opportunity for success was very promising. I wasn't worried about the acceptance of spaghetti. After all, Japan is the biggest noodle eating country in the world—bigger than Italy." Dussin's prediction was correct. The Old Spaghetti Factory was so successful in Japan that he is planning to open five more units in that country and has looked to other markets for expansion as well.

"We decided to explore the German market," Dussin continues, "because, like Japan, the economy is strong and the marketing concepts and restaurant approaches are similar to the United States."

Dussin found a partner in Germany and has built a strong following for his operation in that country. At present, he has plans to open two more units in the next few years.

Pizza Time Theatre, Inc. has also discovered that its concept was desired by foreign investors. "We never made a conscious sales effort in foreign markets," says Jack Campbell, vice president of international. "A lot has been written about our concept in many foodservice and financing magazines all over the world. People started contacting us about franchising possibilities."

Pizza Time Theatre has expanded to Hong Kong, Singapore, Puerto Rico, Australia and Canada. A European unit is scheduled to open sometime this spring.

Being the first . . .

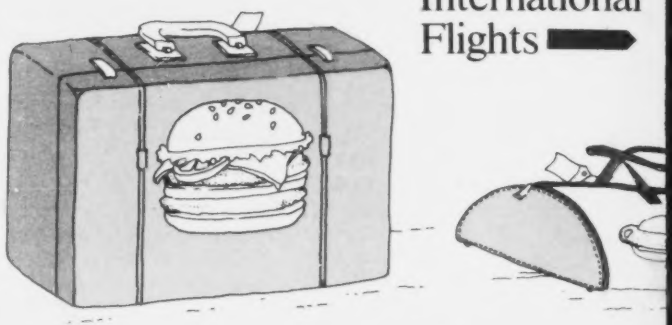
Other companies like Dunkin' Donuts and Mister Donut saw the challenge of marketing a product in countries that had never been exposed to anything like donuts before.

"It was a risk to open units in the Far East," admits Claude Joussemet, director of international marketing. "We did market research studies, but we couldn't relate our product to any other type of food item. The donut was totally new. The word doesn't even translate."

Joussemet explains that the company had to come up with a way to create an awareness of its product. "The question was: How do you eat this item called a donut? Do you use your hands or a utensil? And how does it taste? Is it sweet or salty? It was a learning process; we had to communicate all of those things in a very effective manner," he says.

Joseph Dubanoski, vice president of franchise and restaurant division for Mister Donut, agrees with Joussemet. "We knew we were selecting a market that was quite dissimilar from our own," he acknowledges when talking about the company's Japanese expansion. "The Japanese do not eat many sweets or drink much coffee so we couldn't position the donut as a breakfast item."

Instead, the donut was positioned as a snack or fun food. "When we opened in Japan," says Dubanoski, "the franchisee came up with a plan to hire a helicopter and deliver the donuts to hospitals, orphanages and schools. The event was covered by television and radio, which created an immediate demand for our product." The rest is history. The Mister Donut Corporation not only succeeded in Japan but has also succeeded in eight other foreign markets with approximately 470 international units to date.



Strict requirements . . .

For some companies international expansion is a painstaking process. Kentucky Fried Chicken, for example, is very selective about the countries it chooses for its international franchises. Clara Lamkin, director of public affairs, explains the detailed screening process.

"Before expanding to a country, we look at political and economic stability, the size of the urban population and the national per capita income," she says. "If a country passes the basic criteria, we begin an assessment that evaluates general business practices, restrictions on foreign investments, franchise trademark protection, license agreements, royalty and dividend repatriation, pricing control and labor quality and cost."

"After all those factors are found to be satisfactory," Lamkin continues, "we devise a detailed action plan that covers every aspect of the operation, including preliminary business concepts, site selection, menu design, target customers and marketing plans."

At Bob's Big Boy, international expansion personnel look at economic levels and eating out patterns. "We want to find out who can afford to eat out once in a while, several times or fairly frequently; who eats out and what their patterns and habits are; and the transportation modes of a country," says Roy Raskin, vice president of Big Boy franchises. "We also look at the percentage of working women in a particular country. That factor is very important to the success of our restaurants," he admits, because women who stay home are more apt to cook the evening meal.

Burger King also follows a specific country selection plan, although, according to Sheldon London, vice president for franchise development systemwide, each country is an individualized situation with different needs or problems.

"We spend a substantial amount of time and research before we decide to enter a country," London explains. "This process can take anywhere from 12 to 18 months because we need to target a certain market population and then pinpoint a town and general area in that country."

"We also have to find out where our products will come from and if they would be readily available and at what cost," he continues. "A lot of items are needed to start a Burger King franchise."

For other companies, like Long John Silver's, the selection process is fairly straightforward. "We try to pick countries that are in the free world, that have viable economies and that are logistically efficient for shipping products in and out," reports Gene Getchell, vice president.

How to choose a franchisee . . .

Although some foodservice companies are sought out by international investors, this does not happen all the time. As a result, many companies with an eye on the international marketplace have formulated policies for franchisee selection.

Pizza Time Theatre will not franchise to anyone unless they have considerable foodservice experience in the country where they want to franchise. "A franchisee must meet our criteria," maintains Jack Campbell. "If they don't have a lot of knowledge about the industry, we can't work with them."

Sometimes a company looks for a more diverse group of people. Mister Donut, for instance, chooses franchisees from many different backgrounds, including department store, pharmaceutical or manufacturing experience. "However," notes Joseph Dubanoski, "we require the type of person who will be totally committed to the operation. We are not interested in a franchisee who will open one shop, turn it over to a manager and never enter it again."

In addition to the above requirements, Popeye's requires that the franchisee speaks English, is a native of the country the unit will be located in and knows the customs and beliefs of that particular culture.

Training—key to overseas success . . .

Once a perspective franchisee is chosen, the next step is to teach that individual company operating procedures.

Employee training is important in any restaurant; but for international expansion, training is one of the key factors to overseas success.

The McDonald's Corporation, with units in 31 countries other than the United States, makes sure its key management personnel gain experience at McDonald's units in their respective countries and then attend Hamburger University in Oakbrook, IL, for an extensive training program before any units are officially opened. The company has established offices in overseas markets to offer support to its international franchisees.

Many companies have modelled their training programs after this successful McDonald's approach. Swensen's, for example, has an intensive three-week training course in the United States for all international franchisees and their general managers. The program includes complete "hands-on" experience. At the time of the opening, a corporate representative is sent overseas to that franchise to help train in-store employees and to assist with the grand opening.

This arrangement is also used by Red Lobster Restaurants. Red Lobster has international units in Canada and Japan. "Before any restaurants are opened, we bring a core group of individuals from our overseas units to the country for training," explains Frank Dever, director of international market development. "These individuals are taught the basics of running a foodservice operation during daily training sessions and then practice these skills in an actual restaurant setting."

"After the training is completed," he continues, "teams of American employees are sent back with them to support the initial opening and to help out if problems should occur."

At Popeye's, the international training program is especially rigorous. "Our training lasts 16 weeks in the U.S.,"

explains Terry Rhoton. "Besides the basic training, each program is custom-tailored to the franchisee's specific needs.

"We stationed one of our employees in Malaysia for two years to oversee the units in that area," he continues, "but now we believe that a native of that country is sufficiently trained to take over the job." The individual Rhoton is talking about spent 18 months training in the United States.

The Burger King Corporation sends all international management personnel to its training center in Miami, FL, for 350 hours of complete restaurant training. The company also has regional offices in London, Spain and Germany. These are fully staffed and equipped to give basic training to store employees and periodic brush-up courses.

Some glitches along the way . . .

International expansion is not without its problems. Real estate is more expensive overseas and, increasingly, many companies find they cannot build free-standing units but must take over existing structures and remodel the interior to resemble domestic units.

"Most of our overseas units are located in downtown city areas, whereas in the United States, most of our units are located in suburban areas," says Mister Donut's Joseph Dubanoski. "Suburban areas are virtually non-existent in many overseas locations so we must occupy a building that is already in place and stylize it to fit the surroundings." Operations in Japan, for example, may have a curved roof to look like other oriental buildings, while operations in Europe are given an old world look with such features as stone combinations and wood grain.

Jack Campbell of Pizza Time Theatre agrees that suburban locations are difficult to find overseas. "There isn't much land in many areas," he says. "The buildings tend to be more vertical than horizontal so we have to fit our operations into these structures."

Menu variations, although minimal in most cases, sometimes are necessary. Religious beliefs in the Middle East and Malaysia, for example, dictate the way certain foods are prepared. Pork and pork-related products are forbidden as are dairy products and certain types of shortening.

In compliance with these restrictions, Terry Rhoton reports that chicken is slaughtered a different way in Popeye's units in Malaysia. "We rely on the franchisee to be fully knowledgeable on all local customs," he insists.

Swensen's also must comply with local laws in the preparation of its ice cream in Kuwait and Saudi Arabia. "We use a vegetable substitute that we mix with water in place of cream," says Mary Schnaible, public relations counsel. "It tastes just like our regular ice cream. Nobody would know the difference."

Sometimes, to cater to regional preferences, companies will alter service or add items to the menu. McDonald's, for example, serves its Egg McMuffin all day in Japan. Dunkin' Donuts and Mister Donut use local fruits for some of their donut fillings in the Far East and Latin America. And Guss Dussin notes that while all the big sellers from his menu are the same internationally as in the United States, he has added seaweed, mussel and ginger pork into his spaghetti sauce in Japan.

In some cases, menu additions can create unforeseen advertising difficulties. Kentucky Fried Chicken discovered that its new buttermilk biscuits were not selling well in England. "Biscuit means 'hard cookie,'" explains Clara Lamkin. "It's not the kind of item that goes with chicken." The company is now trying to come up with a new name for the product.

Advice to companies seeking international markets . . .

Before a foodservice operation can put up its sign and sell food, certain business practices and licensing codes must be adhered to.

"When we remodel facilities overseas, we have to observe local electrical requirements and file with specific governmental agencies," explains John Merritt, spokesperson for Hardee's Food Systems.

This particular requirement can be especially burdensome for the company that already has equipment in place. "Our cooking and holding equipment didn't pass the stringent electrical codes in Cologne, West Germany," says Clara Lamkin of Kentucky Fried Chicken, "so we had to complete extensive in-store modifications before opening to the public."

How to purchase food supplies is another issue that must be investigated before a foodservice establishment can begin operation. Many companies try to purchase all food items locally if a supplier can be found. However, if a country cannot meet the strict standards of quality control, then the expense of shipping products into that area must be incurred by the foodservice establishment.

Restrictions on taking foreign currency out of a country is another consideration. According to Andrew Kostecka, U.S. Department of Commerce franchise specialist, "Some countries must keep dollars in their own countries to develop exports and create employment opportunities. Therefore, companies seeking to expand in overseas markets would benefit by looking to the developed nations," he maintains.

"But," Kostecka warns, "the foreign exchange rate changes daily so gross sales on any given day are difficult to predict."

Summary . . .

Despite the occasional setbacks, however, exploring the international market can be an exciting and rewarding challenge. For those foodservice companies that have done their homework, it has meant new frontiers, new markets and new profits. ❑

Editor's Note: See related story in Foodservice Trends.

The Military

New market for fast food operations

Military bases are a new expansion territory for fast food operations. Over the past 18 months four military bases opened fast food restaurants. Four more are slated to open this spring or summer in Germany, and several other locations are reportedly in negotiation. The acceptance of fast food operations on military bases offers the maturing fast food business 2,500 potential new sites worldwide. And for a generation of young people nurtured on hamburgers, fried chicken and pizza, the move will provide a familiar touch of home for military personnel.

First venture in October 1982 . . .

Burger King was first to open a military venture in October 1982 at Pearl Harbor Naval Base in Hawaii. The location, with eating space for 120 and an outside patio, is owned by the Navy but leased and operated by a Burger King franchisee. The Navy provided the shell and gets a percentage—somewhere between eight and 15 percent of sales for leasing the space.

In early 1983 the Marines opened their first McDonald's at Camp Pendleton in Oceanside, CA, following the same format. The Marines lease to a franchisee, who operates a number of McDonald's restaurants in the surrounding area. Today, a year later, that location is one of the highest volume McDonald's anywhere in the U.S.

Burger King made its second entry into the military market by winning a contract with the Coast Guard for their Governors Island facility in New York. With a base population of 5,000, including a training facility and civilians, the operation has been well received. According to L. Cdr. Phil Cappel at Governors Island, "We had more profit in the first three months than we had the entire year before with the previous snack bar and cafeteria." Cappel projects yearly sales to go over one million dollars for the unit. The Coast Guard leases the unit for nine percent of sales to a local Burger King franchisee, Consumer Food Service, Inc., of Fords, NJ.

Based on their success at Pearl Harbor this past December, the Navy opened its second venture, this time using a regional hamburger chain, What-A-Burger, at its Corpus Christi, TX, Naval Air Station.

By the end of June 1984, the Army and Air Force Exchange Service will open four test sites in Germany on Army bases in Ansbach, Mannheim, Frankfurt and Neu-Ulm. Following this test, the Army and Air Force Exchange Service plans to test some sites in the U.S. as well. Final details on the contractual plans are sketchy, but Army and Air Force spokesman Ron Wulff in Dallas explained, "We have decided to assume the role of franchisee." Each of the four European test sites has seating capacity for 80 to 110.

Still in the initial stages of their decisionmaking, the Army and Air Force Exchange Service is currently interested in fast food franchisors who operate in every state; but they said, "We are willing to talk to anyone." Apparently, all of the larger chains have been in touch with the various military services, and as Mary Maguire, spokeswoman for Marriott's Roy Rogers puts it, "We are really looking at the military market."

The Army and Air Force Exchange Service currently has 2,300 outlets worldwide doing $336 million in sales. The units come in great variety—from mobile food vans and movie theater concessions to snack bars and cafeterias.

45 potential installations in the Navy . . .

Director of Public Affairs for the Navy Exchange Service John Russas explained, "Out of our 134 activities worldwide, we have projected a potential market of 40 to 45 installations suitable for fast food operations. In particular, the 90 U.S. bases are our target areas."

The Coast Guard has 21 bases, but according to Ralph Driscoll, program analyst at Coast Guard headquarters, "not all 21 are large enough for a fast food restaurant." Driscoll named bases at Cape Cod, MA; Kodiak, AK, and the Air Training Center in Alabama as large enough to be sites.

There is great incentive for considering the fast food alternative. The whole military exchange system—Army, Air Force, Navy, Marines and Coast Guard—is self-supporting. They operate on what is called non-appropriated funds from Congress, which means they must repay their operating expenses each year. Earnings above this amount are used for two purposes: (1) new capital expenditures and (2) contributions to the military Morale, Welfare and Recreation fund. Although they have done fairly well in the past, exchanges have noted the success of the franchise operations.

With the average age of military personnel estimated at 22 years, it looks as if there may be a real future for fast food restaurants on military bases. The feeling in the services seems to be that the instantly recognized, well advertised, consistent fast food product is what the soldier of today wants.

—Kathy Boyle

How to franchise your restaurant concept

by Kathy Boyle

Franchising as a business relationship and a technique for expansion has many zealous supporters. And for good reason. It offers many benefits. First, franchising cuts down on the costs of expansion. The franchisee provides the money to buy and operate the local business; and once the franchisee gets started, the franchisor receives a percentage of the gross revenue.

Second, management of day-to-day operations is delegated. It becomes the franchisee's responsibility to run his or her operation profitably. Thus the franchisor is not burdened with the difficult task of dealing with new employees, suppliers and other management details that would normally be part of an expansion program.

Finally, market penetration is accomplished much faster through franchising. Using the franchisee's money means more restaurants can be opened more quickly. "Becoming a franchisor," says Dick Mattocks, vice president of franchising and real estate for the Roy Rogers division of Marriott, "can allow you to grow quickly and simultaneously in several geographic markets." With a new idea, beating competitors in the race to new markets can really make a difference.

Don Seidholz, director of marketing for El Pollo Flojo (The Lazy Chicken) in Phoenix, AZ, a new franchisor, agrees. "We are capitalizing on the surging popularity of Mexican style chicken and have opened three units in the last month." Quick penetration of other target markets, such as California, begins next month.

For some operators, converting company-owned restaurants to franchised units can allow faster growth. In some cases, it may be the only growth alternative available, particularly in today's expensive money market. Franchising through existing facilities allows a company to sell off company units and realize an infusion of needed capital while retaining ongoing profits in the form of royalties and continuing service fees or profit on product sales. The day-to-day management problems in the company units are then transferred to franchisees who have the interest and the desire to build their own businesses.

Should you franchise? . . .

It is not easy to move from the decision "I'm going to become a franchisor" to actually becoming one. It's a complicated undertaking. According to Tom Feltenstein, president of the American Restaurant Marketing Group in Palm Beach, FL, "It's very expensive, and it takes time." Based on his many years in the franchise industry, Feltenstein created a step-by-step chart that follows a franchisor from the day he or she decides to become a franchisor until opening. "The chart covers the entire wall and has about 300 steps," says Feltenstein.

A good place to start on the 300 or so steps it takes to become a franchisor is to take a good hard look at what you're doing now. Review current operational procedures and marketing techniques. Evaluate them in terms of their franchising feasibility. A full review of financial controls, operating statements, marketing characteristics, expenses and profitability should be made with special emphasis on the distinctive aspects of your business.

Thoroughly research the franchising potential of your specific industry niche. If you are an upscale, white tablecloth restaurant, do you have franchising potential? Experts seem to agree that elegant restaurants are not as franchiseable as more homespun operations because they require great individuality. Franchises, on the other hand, rely on uniformity—fulfilling

If your restaurant is doing well and you want to expand, how do you go about it? You can add more restaurants under your ownership, look for partners, turn over some of the ownership to employees or become a franchisor and replicate your concept. Here is a look at when and how to franchise a restaurant concept.

customer's expectations in the same way, time after time.

Although unique restaurants are difficult to franchise, a franchise concept can break new ground. With a new product, it might take time to build up a clientele, but it can be done. For example, when Long John Silver's began in 1968 and 1969, fish and chips were new to the country.

A franchise concept also need not be simple. According to Seidholz of El Pollo Flojo, "Everything on our menu is fresh. The concept requires long hours and hard work. Our kitchens operate 20 hours a day with everything made from scratch."

Often procedural changes can improve franchising prospects. Don't hesitate to change equipment or streamline a menu for greater efficiency. In some cases, those changes can make a marginal franchising concept a highly successful one. Careful planning of operating procedures by a franchisor can also make a big difference. For consistency of special recipes, for example, premeasured and premixed seasonings can be bought in volume by going to seasoning houses with the exact specifications.

A solidly tested concept can last for years. Taco Bell's California mission-style building "has remained virtually intact for 20 years," reports Margaret McKeon of Taco Bell. "The concept was developed out of three previous restaurant concepts—El Taco, Taco Tia and Bell's Drive-In—by Taco Bell founder Glen Bell. For most operators, however, it isn't that easy. According to Gene Getchell, vice president of franchising for Jerrico, Inc., owners of Long John Silver's, "We are into the 21st version of the building. Successful franchising is an evolving process."

Develop a positioning statement . . .

Develop a positioning statement. Where will you fit in the marketplace? Who will be your customers? What will they spend? What makes your concept unique? How long a life cycle does the concept have? For example, will the public's current fascination for healthy, nutritious entrees shift back to heartier meals?

How do you plan to expand? Will you look for single unit operators or assign franchise rights to a specific geographic area, or both? A comprehensive site selection program can help prevent unnecessary failures. Most successful franchise operations have designated high potential market areas that received priority efforts in their program. Before El Pollo Flojo began franchising last September, the company had determined that the Phoenix market alone could support 27 to 30 units.

If, at this point, you find your business franchiseable, begin to develop guidelines for a franchise development program. You should consider planning, production, packaging, pricing, promotion, advertising, buying, selling and competing—in short, all the elements of the marketing system.

The characteristics vital for success in any franchising endeavor include experience, strong financial backing, good management and good reputation.

You will need a trade name, a logo and a distinctive image as well as standardized products, services and operational procedures. Be prepared to research and test each step of your concept in the marketplace and make plans early to provide a trouble-shooting support system for fledgling franchises.

Things have changed quite considerably from the days when Kentucky Fried Chicken (KFC) founder Colonel Harlan Sanders would clinch deals with a handshake. Even then it took years of traveling to get his business started. "He traveled coast to coast with his wife," remembers Nancy Bishop, manager of press relations for KFC. "He'd go into a restaurant, talk to the owner, then take off his coat and go back into the kitchen and cook. His wife, who wore an antebellum dress, would stay upfront and talk to customers about the unique product. On a handshake agreement, the Colonel would allow the restaurateur to use his recipe—giving the Colonel a nickel for every chicken sold. The road test worked. By 1964, when he sold his business, 600 stores were using his recipe."

Today it takes considerably more financial savvy to get a franchise started.

Evaluate financial needs . . .

Evaluate your financial needs by determining

1. your overall financial requirements
2. the types of funds needed—equity versus debt and
3. possible loan requirements and how they can be met, whether by private or public placements, merger or acquisition or Small Business Administration assistance.

The characteristics vital for success in any franchising endeavor include experience, strong financial backing, good management and reputation. For example, in its promotional material El Pollo Floja emphasized the owner's combined experience of more than 35 years in the restaurant business.

If the franchisor is reputable, the franchisor's credit rating and track record may help prospective franchisees obtain financing. The size of a franchisor, however, need not be a controlling factor for success. Many small companies are well-managed, successful franchisors with very successful franchisees.

Be ready to explain to prospective franchisees how you plan to achieve the same success in a different geographic area. Will you devote the capital and effort needed to launch a franchise in a remote area?

Formulate franchisor policies . . .

To create a workable franchising program, a variety of decisions must be made on such topics as training, supervision, financial controls and the purchase of equipment and supplies by franchisees. How much initial training will you provide the franchisee? How much refresher training? Will you provide some kind of centralized bookkeeping, accounting and data-processing service for the franchisee? Are there signature sauces that franchisees must purchase from a special supplier? Resolve these questions early. Don't wait until there are misunderstandings, hard feelings, or worse, legal action. How you formu-

late your franchising policies will depend on federal and state laws, your efficiency and profitability expectations as well as on current standards in other franchises. "If everyone is selling nachos in the marketplace, you want to have nachos," says Margaret McKeon of Taco Bell, which is a firm believer in new products development and averages two new products a year. "We constantly test items for our franchisees. Our marketing people go into restaurants quizzing customers."

Once you decide what services to offer franchisees, fees and royalties must be determined. The franchise fee can vary widely—from as low as $10,000 to as high as $400,000. Weigh costs and current market conditions. If the main menu item is a product that fluctuates in price, build a cushion into the pricing and fee structure. Cooperative advertising fees for franchises must be based on need and current practices. For example, regional TV advertising support for a franchisee might hinge on a certain number, say five, franchises operating in that specific location.

The legal aspects . . .

Be sure to consult a lawyer who knows trade regulations and the Federal Trade Commission rules on franchising as well as specialized franchising requirements in various states. Disclosure statements alone can run 30 to 40 pages.

The cornerstone of franchising is the legal use and protection of your name, trademarks and logos. Lawyers can do a thorough name search, which should eliminate legal challenges.

One expert in the franchising area, William H. Manger, president of Franchise Solutions in Rolling Hills Estate, CA, suggests forming three separate corporations to comply with state and federal law

1. *Wholly-owned holding company of the owner.* This company, either private or public, can offer stock to raise capital for greater market thrust.
2. *Wholly-owned subsidiary #1.* This company owns all company-owned restaurants, names, trademarks and logos that are licensed to the third corporation.
3. *Wholly-owned subsidiary #2.* This company is actually the franchisor, selling franchises and administering the franchise system.

According to Manger, this system can be advantageous for both auditing and bookkeeping purposes and to keep records straight in case of court actions from disgruntled franchisees.

Develop an agreement . . .

The franchise agreement is the legal document serving as the main link in the franchisor/franchisee relationship. It must be tailored to give the franchisor's business concept full protection. After a franchise is sold, it is the only legal basis for quality control and uniformity of operations—vital ingredients of a successful program.

Experts seem to agree that elegant restaurants are not as franchiseable as more homespun operations because they require great individuality.

The franchise agreement should spell out the full services you will provide to the franchisee and state precisely what obligations the franchisee has to you. It covers subjects such as location, trademarks and their use, training, advertising, adherence to the operating manual, maintenance and repairs, required modeling of the franchisee's establishment, accounting and records procedures, standards of quality, termination, defaults and transferring of franchise ownership.

Although a franchise agreement is a precise legal document, it is totally worthless unless it is based on a thorough understanding of your business and its operations.

Develop a disclosure statement . . .

The disclosure statement you show to prospective franchisees must meet Federal Trade Commission requirements as well as those of any state where the company intends to register as a franchisor.

The disclosure statements include financial information about the franchisor and full disclosure of obligations of both franchisor and franchisee. Either of two formats can be used: the uniform franchise offering circular (known as UFOC) or the Federal Trade Commission format.

Types of information required by the Federal Trade Commission

1. Identifying information about the franchisor, such as address, subsidiary of, trademarks and service marks
2. Business experience of franchisor's directors and officers
3. Business experience of franchisor, brief past history of business and any new ventures
4. Litigation history—both pending cases and concluded cases
5. Bankruptcy history
6. Description of franchise, including type of building structure, menu and risk factors
7. Initial funds required to be paid by franchisee, including land, building equipment, inventory, working capital and franchise fee
8. Recurring funds required to be paid by a franchisee, such as royalties, advertising fees, insurance coverage, delinquency charges, upgrading, remodeling, renewal fees and transfer fees
9. Affiliated persons the franchisee is required or advised to do business with by the franchisor
10. Obligations to purchase food and type of equipment required
11. Revenues received by the franchisor in consideration of purchases by a franchisee
12. Financing arrangements, whether offered or not
13. Restriction of sales, such as an agreement that no other franchises are to be sold in immediate area
14. Personal participation required of the franchisee in the operation of the franchise
15. Termination, cancellation and renewal of the franchise which spells out the length of the agreement
16. Statistical information concerning the number of franchises and company-owned outlets, how many restaurants you now operate
17. Site selection—in other words,

who selects site or site acceptance policy
18. Training programs, training requirements and courses and
19. Financial information concerning the franchisor, usually three years of financial statements

The operations manual . . .

The operations manual is the so-called bible of the business. Usually one or two volumes long, it is given to every franchisee. The operations manual synthesizes operations, procedures and philosophy and works to create uniformity throughout the whole network of franchises. It includes such vital information as trademark protection, working hours, recipes, inventory control practices, accounting procedures and royalty payments. In some states the manual must be submitted as an exhibit before franchises can be sold.

Create and implement a sales and marketing program . . .

Finally, you are ready to sell your concept. But first you must identify what type of person will buy your franchise—this person's net worth, professional background and vocational interest. Creating a profile of your buyer by geographic location will help in planning sales and marketing strategy in each new market.

Once you have this profile, you can prepare your franchise brochure. The brochure should describe the business opportunity you offer, your concept and how that concept has been carefully tested to succeed. It substantiates the seller's credibility by mentioning the years of experience the franchisor owner has in the restaurant business. The brochure should appeal to prospects who are eager to be in business for themselves.

The brochure is just one component of a marketing plan. Ads, direct mail promotions and a listing in the annual *U.S. Commerce Directory of Franchising Opportunities* are other important steps. In some cases advertising materials must meet state and federal guidelines or be approved prior to use.

In conclusion . . .

Your well-run restaurant could serve as the prototype for a successful franchise operation, but it's going to take money and work. Even after every detail has been specified, every procedure standardized and every legal requirement met, the process will continue. The way new franchisees operate their units will reflect on your company's name and image.

Although it costs a great deal to become a franchisor, the potential rewards are substantial. In 1984, franchise restaurant sales are projected to reach $44.1 billion. According to the Department of Commerce, the success rate for businesses owned by franchisees continues to be significantly higher than those owned by independent businesses. The hard work and risk involved in franchising a restaurant concept has a great potential for payoff. ❑

Editor's Note: *The opinions expressed in this article are those of the author and do not necessarily reflect NRA views.*

Franchising is a partnership

by Tom Feltenstein
President, American Restaurant Marketing Group, Palm Beach, FL

To be successful, franchising is a partnership that must be based on much more than a series of legal phrases contained in a franchise agreement. It is a partnership that, in a very real sense, is a living, breathing entity—one which is well-founded on the experiences of the past but which is ever responsive to the demands of change.

It is a partnership based on three important factors: mutual trust, the franchisee's willingness to support the direction of the parent company, and management's willingness to assume the responsibility of leadership.

Trust comes from the understanding that both franchisee and franchisor have common objectives that are so intertwined that anything that harms one of them inevitably will damage the other.

A working mutual trust relationship means that both parties understand that they have an obligation to share the risks, the sacrifices, the investments and the profits for the good of the whole system.

Although demonstrating a willingness to support the goals of the parent company may seem to run contrary to the entrepreneurial spirit of franchising, the best entrepreneurs know they can't succeed alone. They need the advantage of the best expertise available, and that often comes from the parent company.

Willingness to accept direction doesn't mean blind subservience. Rather, it implies respect for the expertise a franchisee buys as part of its franchise and the confidence that the company offers more total expertise than any one person could individually acquire.

Because franchising is a partnership in every aspect, the parent company has responsibilities of its own. The company must commit itself to earning the respect of its franchisees. It is the company's duty to provide the best expertise to its franchisees and to give them the most responsible leadership in every area of the business.

It is the responsibility of the company's leaders to dedicate themselves to being as right as possible, as often as possible. Franchisees must feel secure in the knowledge that the company is willing to submit to a system of checks and balances before it commits its system to a new direction.

When both franchisee and franchisor live up to the demands of such a partnership, the result is likely to be profitable: Fewer than four percent of all franchised restaurants shut down each year, according to the U.S. Department of Commerce. In fact, restaurant franchising just may offer the best of both worlds—entrepreneurial freedom plus the services and know-how of the franchisor.

Getting the nutrition word out

by Patri ia B. Kelly
Director of Communications, Public Voice

So you've cut back on the fats, salt and calories on your menu. What do you do next? Describe, promote, publicize. Get out the word.

If restaurant patrons' interest in nutrition is peaking, so is their need to know more about it. And trend-setting restaurants across the country are combining healthful fare with healthy doses of nutrition information.

According to the "Nutrition and the American Restaurant" report,* a major trend (second only to the healthy food itself) is the effort to communicate with customers about health-oriented aspects of restaurant food. These programs range from simple calorie counts on restaurant menus to coordinated advertising campaigns, and they take place both in and out of restaurants.

Inside their operations restaurateurs are using the traditional menu and a host of non-traditional materials to talk about nutrition. Often staff members become promoters too. Outside, restaurants have discovered the value of nutrition as an advertising or promotional tool. And the larger chains and hotels have combined internal and external promotion efforts into attractive, innovative and successful information packages.

*Published by Public Voice under grants from the American Express Foundation and the American Express Travel Related Services Company.

Start with the old standby . . .

While the American restaurant menu has been undergoing major changes in recent years (sometimes being phased out altogether in favor of chalkboards and waiter recitations), it is still the main source of information about restaurant food. When it comes to nutrition, restaurants are using the old menu in new ways.

Some have set aside special sections for special food offerings. Examples include Madame Wu's Garden in Santa Monica, CA, whose menu features a "long-life diet" section devoted to offerings that follow the Pritikin Diet. The Parsippany Hilton in Parsippany, NJ, offers "health favorites" in a section of its dining room menu and "fitness first" entrees in a section of its coffee shop menu. Even the exclusive Trianon Room of the Helmsley Palace in New York City offers a luncheon menu with a special section: "Mrs. Helmsley recommends low cholesterol, no salt recipes."

Other restaurants list information about particular components of their food offerings, such as calorie counts (the most popular nutrition information) and, sometimes, nutrient breakouts. El Taco Grande in Philadelphia, PA, shows calorie, protein, carbohydrate, fat and fiber content for each dish on the menu (except desserts). Joe Theismann's Restaurant in Falls Church, VA, provides calorie, sodium, fat and carbohydrate counts for all items.

Consumers don't want too many specifics . . .

Jock's Bar & Grill in Chicago's Lakeshore Centre health club used to feature a unique variation of this approach. Besides listing a calorie count for all entrees on the menu, Jock's also listed a chart of "calories-equated-to-sports" for most menu items, which explained how long it would take to run, swim and play tennis or racquetball to burn off the calories consumed. Example: A woman who weighs between 110 and 120 pounds and ate the steamed vegetable platter (322 calories) would have to play racquetball or jog for 27 minutes, swim for 37 or play tennis for 53 minutes to "work off" the calories in the platter.

The "Jock's Concept" was phased

out after two years, however, and consumers surveyed in the "Nutrition and the American Restaurant" study agreed that Jock's approach provided more specific information than they found useful on a restaurant menu.

Another informational effort used by many restaurateurs is to cite selected menu items through indicators, such as the American Heart Association's heart and torch logos and their variations. The Hungry Tiger chain, headquartered in Los Angeles, CA, places tiny hearts beside listed foods that meet heart association dietary guidelines. Other devices include asterisks, used at the Chase Manhattan Bank's Executive Dining Room in New York City to denote dishes prepared in conformance with a cardiovascular program; and tiny artichokes, used by the Helmsley Palace's Trianon Room to indicate items selected for the season.

General statements offer the most flexibility . . .

General statements on the menu also are popular, and they afford the most flexibility to restaurateurs. Nora's of Washington, DC, uses a general statement on the back of the menu to explain the restaurant's food philosophy: "We thought you would be interested in knowing where we have found the very special ingredients to prepare the meals which we serve. . . ." And Jerome's, a fresh food restaurant in Chicago, IL, states on its menu: "Since we are animated by what's on our plate, we try to keep that fuel fresh and pure, avoiding chemicals, preservatives and processed foods. We bake our own breads and desserts, simmer our own stocks and blend our own mayonnaise. . . ."

The general statement also can qualify menu items or describe variations of dishes, as Hungry Tiger does in explaining that some of its seafood entrees would meet Heart Association guidelines if taken in smaller portions.

Finally, the separate menu is becoming increasingly popular as a means of presenting and describing more comprehensive nutrition programs. This relatively expensive approach is most often used by hotels. Hilton's "Fitness First" programs,

Stouffer's "Light & Lean" and Marriott's "Good for You" all feature separate menus that present and describe programs of healthful offerings. Often these menus combine other informational approaches as well, such as general statements of philosophy, indicators of particular items or special sections for specific dishes.

The Stouffer "Light & Lean" menu, for example, explains the use of fresh ingredients and the calorie count for the listed items. It also invites diners to ask for the hotel's "Tips to Healthy Eating" brochure. Marriott's "Good for You" menu describes the program's affiliation with the American Heart Association and Fleischmann's margarine and indicates the Fleischmann products used in listed dishes.

Other "inside" approaches . . .

Other kinds of materials describing nutrition programs in restaurants also have become increasingly creative. Chapman Sisters' Calorie Counter in Chicago, IL, lists its menu (with calorie counts) on a board above the cafeteria line, which is duplicated on a carry-out flyer. The American Heart Association has developed a range of pieces to go with its "Creative Cuisine" program, and many of its chapters have created materials with a regional focus. The pieces include table tents, window decals, customer pamphlets and guides. Hungry Tiger, for example, used a table tent to introduce its Valentine Day special with the slogan, "It's good for your heart."

Corollary materials also are becoming more widespread. Posters, for example, often direct patrons to other kinds of information or the availability of a nutrition program itself. Booklets on fitness or pamphlets listing recipes from a nutrition program are an integral part of hotel nutrition efforts. Marriott handed out an "Executive Health Guide" as an introductory piece when it began its "Good for

You" program. And Hilton is an example of a program that has gone the whole informational route. Its "Fitness First" program included separate menus, corollary materials and other restaurant pieces. When the first promotion ended, Hilton used its regular menu to feature continuing "Fitness First" entrees in a special section.

Franchises offer nutrition materials . . .

Some fast food chains have joined the information parade with their own special entries. McDonald's, for example, has used tray-liners, bag-stuffers and posters as vehicles for nutrient information about its food items. The chain also has developed other materials for patrons, including a "Good Food, Good Nutrition and McDonald's" booklet, a pocket-sized "Diabetic Exchange Card" and a wallet-sized "Sodium and Calorie Counter."

The good news for many restaurateurs is that they don't necessarily have to develop information materials themselves if they don't want to. Programs like "Creative Cuisine" provide a range of materials, usually free of charge, and restaurants also can join efforts with other health or food groups to produce joint materials. San Francisco Consumer Action, a local consumer advocacy organization, is working with the Fisherman's Wharf Merchants Association and Standard Fisheries Corporation, a seafood distributor, to develop nutrition information pieces.

External promotion—publicizing the program outside the restaurant's environs—usually occurs through the media. The larger restaurants and hotels are especially adept at getting out the word.

Hilton is a good example. When the hotel chain introduced its "Fitness First" program in 1980, the running craze was at its peak. To use the fitness connection, Hilton employed Olympic Marathon Gold Medalist Frank Shorter to promote its program. Shorter's image appeared on the original "Fitness First" menu and press folder, and his advice on good health and fitness was printed in an accompanying brochure.

Restaurants also have used advertising to attract customers for their nutrition programs. Jonathan's in Chicago, IL, does promotions and advertising geared to the special health needs of its elderly clientele. In Los Angeles, the "Dine to Your Heart's Content" program uses a collective advertising approach to attract patrons to its participating restaurants as well as to attract restaurants to the program. "Heart's Content" offers new restaurants cut-rate monthly advertising through a consortium effort coordinated by the L.A. Heart Association. The *Los Angeles Times* advertising co-op department helped train program volunteers to market and promote these ads.

Using nutrition to advertise . . .

Nutrition also has figured in the advertisements and promotions of an increasing number of fast food chains. Burger King's "Eat a pita" (a pocketful of salad) campaign is a current example. And, in 1981, McDonald's test-marketed a series of ads that offered nutrition information about its products. The ads—offering standard calorie, protein, carbohydrate, fat and sodium disclosures based on U.S. Recommended Daily Allowances—appeared in newspapers and on television.

Finally, some chefs have become celebrities and regularly participate in media events that attract publicity for their restaurants, including television talk shows or guest chef appearances. These include Wolfgang Puck of Spago in Los Angeles, CA, and Jeremiah Tower of the Santa Fe Bar & Grill in Berkeley, CA. Sylvia Wu of Madame Wu's Garden in Santa Monica, CA, believes it is the responsibility of restaurateurs to promote their programs; she does so whenever possible. These and other trend-setting chefs and restaurateurs have helped create the nutrition movement in restaurants. The next step is to build consumer awareness that it exists. ❑

Business meal deduction
the other side of the story

Politicians have done quite a job on the business meal. It is depicted as a boondoggle, a perk for the fat cat, a rip-off of the taxpayers. Even its defenders call it the "three martini lunch." Yet martinis are rarely—if ever—ordered. Usually, the business meal is a sober, productive event—one that is essential to conducting business.

"There are small business men and women all across this country who do all their selling across a formica table in modest restaurants on Main Street. They may not have an office. They certainly don't have a promotion budget. Their one essential business expenditure is the business meal," says retiring NRA Executive Vice President Bob Neville.

There are others who do have offices—pretty decent ones at that—but find that they get their work done most effectively when they sit down with a client over a meal.

"Last year NRA calculated that reduction or elimination of the business meal deduction would cost the foodservice industry approximately 100,000 jobs and two billion dollars in sales. It would force many downtown restaurants into bankruptcy," says Neville.

More generally, it would deprive Americans of a way to write off a legitimate business expense.

Getting people away from office interruptions . . .

Marvin Leffler agrees. Chairman of the National Council of Salesmen's Organizations, an association of 50,000 salesmen, Leffler says, "The business meal conjures up an image of big businessmen living off the fat of the land. But that is not the way it goes."

According to Leffler the purpose of such occasions is to get people away from office interruptions so they can sit down one-on-one and convince, sell or brainstorm.

For Leffler it's a chef's salad or omelette eaten gradually as he concentrates on selling his product to a customer. "Lunch is work time," he says. "There's not much enjoyment in it if you're doing it five days a week."

A certified public accountant, Tom Huntzinger of Hanover, PA, thinks the quality of a lunch can be measured right on the dotted line. A managing partner with Huntzinger, Miller and Associates, he represents a lot of entrepreneurs who need start-up money for new ventures. "I had a manufacturing client who had trouble negotiating with a bank. I said, 'Why not have lunch with your bankers and talk about it?' We had a two-hour lunch and the problems were resolved." Lunch was a bargain. Huntzinger's client landed a $1 million loan, and the tab for six people came to $60. As often is the case, there was no bar tab. This figure is in line with results from a soon-to-be released NRA study that reports the median per person check size at a business lunch is $8.40.

David Grant, a New York public relations consultant, alternates between simple and inexpensive fare served at Chinese and Italian restaurants and hamburger eateries and rich French food when it's a client's fancy.

"One of the best business lunches I ever had was in Central Park. We ate a couple of hot dogs and as I recall I paid," Grant remembers. His guest, a producer of a highly-rated radio talk show, later booked Grant's client to discuss real estate.

Grant began having business lunches 10 years ago when he unceremoniously opened for business in a one-bedroom apartment. "I had one client when I started out in August 1974. I called an ex-boss of mine and said, 'I was thinking of going out on my own, do you know of any business?' He said, 'Why don't we have lunch?' This told me he wanted me to meet somebody." That somebody turned out to be a valuable contact for Grant.

Hard and fast lessons about the business meal . . .

Along the way Grant learned some hard and fast lessons about the business meal. Lesson #1. Don't drink anything alcoholic. "You might say something very foolish or fall asleep and either way that's bad for closing a deal." Lesson #2. Eat out regularly. "The business lunch has an air of informality that is very conducive to getting business done—it's away from the phone. There are fewer distractions, and people tell you things they wouldn't say in the formality of an office." Lesson #3. Pick up the tab. "The cost is small for the goodwill it builds."

Down in Vidalia, GA, a town of 7,000 people famous for its onions, the pace is more leisurely than in the Big Apple, but the business meal is no less important. Says shoe retailer Benjamin Smith, the persona of Southern hospitality, "Business entertainment helps me to relax after a rough day and helps me create a better rapport between me and my suppliers. This translates into profits for the business."

Cultivating special sources and suppliers...

Smith takes out the salesmen for a quiet dinner at the Moose Club, Elks Club or a local beef or seafood restaurant where they talk shop. Before he does any buying, Smith has a battery of questions for his guests: Who's got the leading shoe? What's the forecast for pumps, sandals or heels? What colors are going to be good—pastels or hot shades? What kinds of clothes, accessories, colors and styles will coordinate with the shoes?

Smith figures his suppliers can help him keep a pulse on fashion and other business trends. "They go to places from Washington, DC, to Wisconsin, and they visit factories. I've found from years of experience that they know what's going to sell and what will be borderline," he says.

Even with inside information Smith can make a mistake, but generally he's lucky. All he does is call his contacts, tell them he's in trouble, and they come to his rescue. There was the time when Smith was stuck with

The business meal is a sober, productive event—one that is essential to conducting business.

$14,000 worth of high-fashioned shoes that didn't appeal to his small-town clientele. "A supplier said, 'Let me see what I can do,' Smith recalls. He found someone who needed the style right away because it was a great shoe for them. The guy said if I sent the shoes, he would take every pair at the regular price." Occasionally, Smith has the opposite problem. "If I can't get what I need, a salesman will find it for me," he explains. "That's because of the special relationship I've developed with them over the years."

James Strodes, a Washington financial correspondent for a series of European newspapers, also must bank on loyalty if he is to continually break stories for publications that his sources rarely, if ever, get to read. He dines out for lunch at least twice a week when he is meeting people for the first time whom he wants to cultivate as sources and to retain contact with others who have been helpful in the past. He also goes to breakfast with people he wants "to see on a certain urgency and certain confidentiality." It's a good way to gain an extra hour of the day.

Not long ago, his lunch dates with two sources paid off in a "two-for-one" exclusive that appeared in the Sunday *Telegraph*. "It took the *Wall Street Journal* two weeks to get that story," Strodes smugly recalls.

A legitimate cost of doing business...

The business meal deduction is easy to vilify. It is an easy target for the witty news commentator, and therefore a vulnerable target for the revenue hungry legislator. And yet business meals remain a legitimate cost of doing business—as legitimate as advertising and promotional expenditures. And for some it is the only advertising or promotion expenditure that is possible.

❑

Where the term "*three-martini lunch*" came from

The truth can finally be told. Former President Jimmy Carter was not the first person to use the term "three-martini lunch."

William Safire's *Political Dictionary* (2nd Edition) reveals the origins of the liquid lunch term. It was speechwriter Roland Page who coined the phrase as "a symbol of tax unfairness" at a keynote speech of the Democratic National Convention in Miami Beach, FL, on July 11, 1972. The first to deliver the populist proclamation was former Florida Governor Reuben Askew who zinged the system that has "forgotten the American man or woman in America today. What can we expect them to think," he asked, "when the business lunch of steak and martinis is tax deductible but the workingman's lunch of salami and cheese is not?"

McGovern later got applause and network coverage for refining the sentiment when he told some Pittsburgh steelworkers: "The rich businessman can deduct his three-martini lunch, but you can't take off the price of a baloney sandwich . . . although the end result of your work is exactly the same."

The story didn't end there. Democratic candidate Carter used the term at the start of his campaign, beginning with "expense account lunch" and then adding martinis. Carter called the tax system "a disgrace to the human race."

Sen. Edward Kennedy (D-MA) added another refrain after Carter won the election. "There are few more vivid symbols of the disgrace of our current tax laws than the three martini lunch."

But the restaurant industry didn't take the barb sitting down. In 1977, the Hotel and Restaurant Employees and Bartenders' Union (AFL-CIO) retorted, "Martini lunches make an appealing villain, but the martinis are made by bartenders and the meals are served by waiters after being prepared by chefs."

Finally, neo-conservative Irving Kristol got into the act on October 18, 1977, by taking exception to Carter's effort to cook the "three-martini lunch." "If you spend all your time worrying whether or not a business executive is getting a tax-free martini with his lunch," he said, "you might be very well failing to pay due attention to the obvious—that it is encouraging businessmen to make profits."

RENOVATIONS

BIG RETURN ON INVESTMENT

BY CAROL CAPRIONE

Successful, well-established restaurateurs don't think about whether they should renovate. Instead they think about when and how they should do so in the most economic and efficient way possible.

At a time when new restaurants are opening up daily and the restaurant-going public is hungry for new dining out experiences, even very successful restaurateurs admit that they can't afford to become old hat.

Renovation—ranging from major structural changes to slight cosmetic facelifts via wallpaper, lighting and floor covering—is one way to build customer and employee interest.

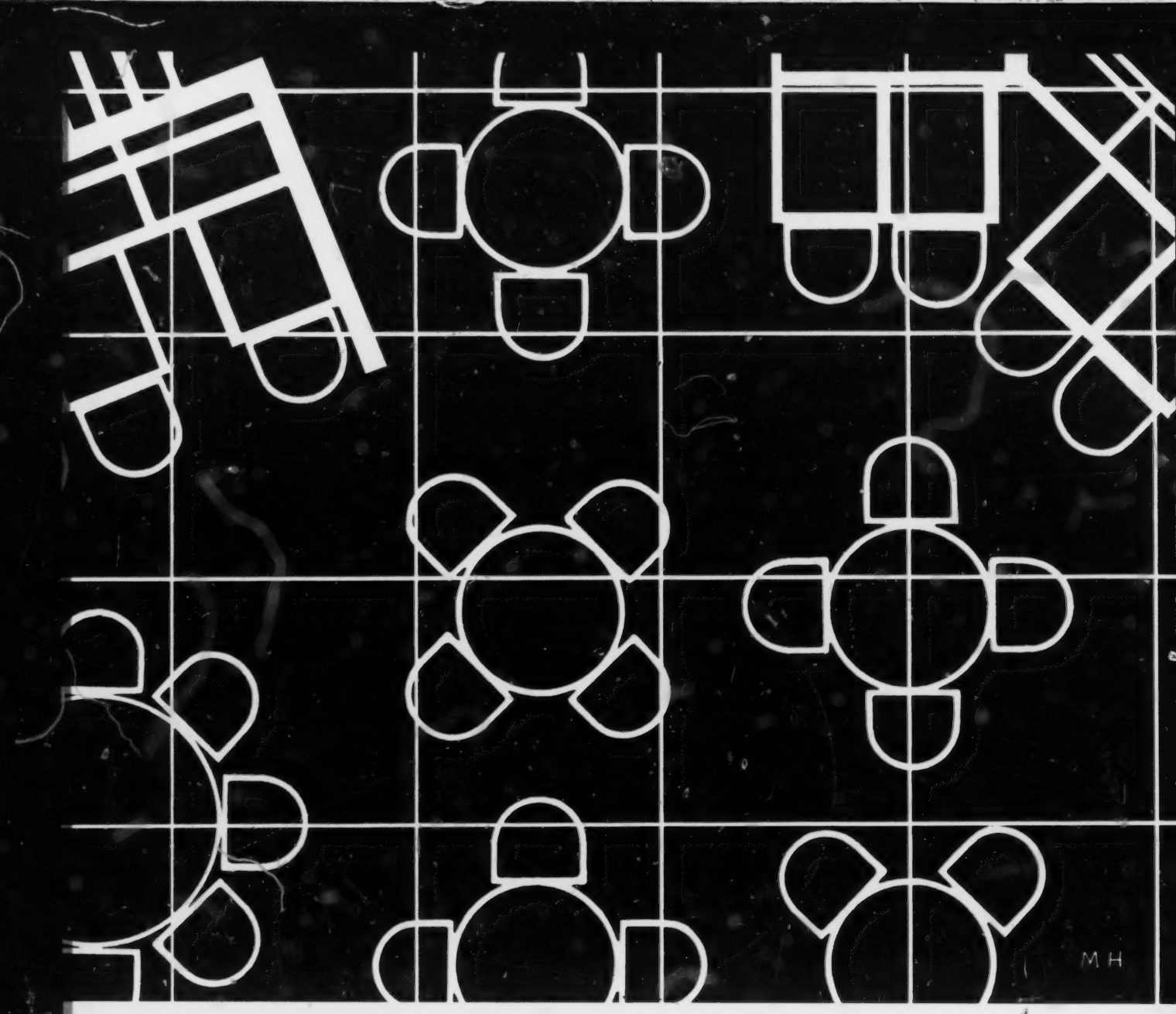
As many operators have discovered, the rewards of remodeling include an increase in traffic, a broader clientele base and a boost in employee morale.

How restaurants are revamping their image . . .

The Monocle, a 24-year-old restaurant in Washington, DC, reports an increase of 20 percent in bar business and more women customers since it changed from a dark, clubby atmosphere last fall. "Our color scheme was black and dark orange and included black leather-covered booths. Now we have a lighter, brighter look. Our colors are taupe and raspberry, and our booths are covered with a multicolored tweed fabric," says owner John Valanos. The wallpaper adds a distinctive look with its small geometric design in burnt orange, taupe, peach and just a hint of gray. It's so memorable, reports Valanos, that when it's time for the next facelift, the restaurant can create a new look simply by changing the wallpaper.

In addition to decorative changes, the Monocle was concerned with more efficient service to customers. "Before we remodeled, customers would practically fight over our booths," says Valanos. "Booths were by far our most popular seats. Now we have twice as many booths. We also took great care to make our tables more private without blocking anyone's view. People in restaurants like to look around. They find it very annoying when one person faces the wall while the other looks out."

Lawrence Fleck, co-owner of the Red Bull Inn, Pittsburgh, PA, decided



to give two of his restaurants a face-lift. This was the first major renovation in more than five years and took six weeks to complete. "We wanted to change the color and atmosphere," recalls Fleck. "We used to use a lot of reds and other bright colors because that was in vogue 10 to 15 years ago. Now there's a preference for warmer tones like tan, green and brown. So that's what we've changed to. Also we wanted softer, more subdued lighting to give our restaurant a casual elegance.

"We increased the sense of privacy in our booths by bringing the lights down over the booths and changed to round tables for parties of six, instead of the more traditional rectangular shape.

"All of these changes have made our restaurant more comfortable, and this has shown up in our bottom line. Business has increased 20 to 25 percent—nearly double our five to 10 percent goal. We feel it was well worth it for us to spend the $250,000 on each of the two restaurants we remodeled."

David Migicovsky, owner of Coco's Sidewalk Cafe, Bal Harbour, FL, happily reports a 20 percent sales increase since renovating to allow greater customer visibility. Migicovsky spent $100,000 on his renovation, which included replacing two brick walls so the indoor patrons could watch the outdoors and patrons dining outside could see in. The bar was turned into a free standing structure to further increase customer exposure. According to Migicovsky, "Coco's Sidewalk Cafe is an on-going people parade. People come here to watch other people and to be watched. We are located in the midst of the Bal Harbour shops—considered to be one of the top five shopping plazas in the country."

James Kalinas, owner of the Chimes Restaurant, St. Augustine, FL, spent $275,000 on indoor and outdoor renovations that yielded him a 48 percent sales increase from January to June of 1983. "Renovating was the best thing I could have done. A lot of new restaurants have opened here recently. I don't think I would have been able to compete with them if I didn't do the renovation," admits Kalinas. Renovation changes included adding an upstairs dining room, which increased the restaurant's seat-

ing capacity by 65; changing the entrance to face the city's historical fort and generally upgrading the restaurant's interior from that of a family restaurant to a fine dining establishment.

To remain open or to close? A controversial question . . .

Restaurant renovations can take as little time as one day, usually for large nationwide chains, or as much as one year or more depending on the amount of work to be done, the ability to schedule overtime crews and whether or not the unit remains open or closes completely.

Whether to close a restaurant during part of or all of the renovation is a controversial issue. According to an October 1983 *Nation's Restaurant News* study on remodeling, the average downtime of respondents who said they closed their units is 24 days—a substantial time for lost revenue and customer traffic. Still some operators maintain that closing is absolutely necessary to get the job done right, while others just as vehemently argue that closing is a waste of money, drama and excitement. Fears of closing might include losing your clientele and even your employees. Fears of remaining open include inconveniencing customers and paying overtime to have the work done at night.

The argument for closing . . .

The Monocle in Washington, DC; the Briarwood Country Club in Deerfield, IL; and the Midnight Sun in Atlanta, GA, all agree that closing was the way to renovate because it gave them an opportunity to retrain staff and more clearly identify each person's role.

According to Fred Halimeh, general manager of the Midnight Sun, "Closing is better. It gives you the time to hold daily staff meetings to discuss the new style of cooking that goes with the remodeling. I kept my wait staff on full schedule so they could work in the kitchen. Now when a customer asks about a dish, the waiter can answer because he has made it." Even if operators cannot afford to keep their staff on the payroll, no operator wants to take the risk of losing valuable employees to another restaurant. Some of the things that restaurateurs have done to ensure that their employees come back to work when the restaurant reopens include

- encouraging them to take their vacation time during the down period
- arranging for temporary jobs for them in similar establishments
- allowing them to apply for unemployment compensation and
- making off-premise salespeople out of them by paying them to distribute literature and food samplings to entice customers into the restaurant when it reopens.

Operators who closed did so with plenty of planning, choosing their slowest times. The Monocle, which does a heavy Capitol Hill trade in Washington, DC, for example, closed the day Congress went out of session.

The Midnight Sun, on the other hand, closed during January and February because that's when banquet functions are slowest.

The argument for remaining open . . .

The Chimes Restaurant in St. Augustine, FL; the Red Bull Inn in Pittsburgh, PA; and Coco's Sidewalk Cafe in Bal Harbour, FL, all vote strongly in favor of remaining open.

James Kalinas of the Chimes said he remained open the entire 18 months of renovation. He worked around the renovation by closing certain sections of his restaurant. "The customers got a great kick out of it. Even a leaky roof turned out alright. We pulled the roof apart, and some rain came in here and there. The customers came back saying, 'I'm glad I don't need my umbrella today.' The customers turned it into a joke."

Red Bull's Lawrence Fleck said that the renovation helped start a lot of word-of-mouth advertising for the restaurant because his staff involved customers in the process by discussing the renovation changes and plans with them. "Non-regular customers would come in to see what we were doing and come back again when it was done. Customers remain interested as long as it doesn't take too long. If it drags on longer than six or eight weeks, customers might get a bit irritated with the inconvenience."

David Migicovsky, owner of Coco's Sidewalk Cafe, Bal Harbour, FL, never thought of closing during his two-month renovation. Instead, he turned the renovation into a showcase promotion.

Migicovsky explains how it worked: "I wanted our customers to be part of the renovation. I wanted them to go through it with us, to be involved and to enjoy it. Therefore, we went to great lengths to keep our customers with us. The digging site was surrounded with clear plastic walls so guests could watch the construction crew.

"Everyone working at Coco's wore hard hats with Coco's insignia—yellow for the construction crews, white for the waiters and red for the busboys. The waiters also wore Coco T-shirts. We had theater tickets printed up that offered patrons $1 off anything on the menu when they came to see the remodeling show. On the slower days of Tuesdays and Wednesdays, the theater tickets entitled bearers to $1 drinks—also the price during the happy hour.

"Since we were inconveniencing people, we went one step further to entertain them with an accordion player, a banjo player and a caricaturist. We did everything we could think of to make our guests feel part of what was going on, to feel comfortable and to want to be here. And it all showed up in the cash register. Sales figures were maintained and on many days surpassed."

Reopening with fanfare? . . .

How to open the restaurant for business after the renovation is also not a clear-cut decision. For those who say yes to an opening party, the argument is that it continues the excitement and keeps the restaurant being talked about. For those who say no, the reasons include not wanting big crowds, not wanting to leave out or forget regular customers, not wanting to overwork staff or disappoint customers with less than perfect service.

Regardless of how it's done, however, there is agreement that renovation pays off in increased traffic and profits. Fred Halimeh of the Midnight Sun sums it up succinctly: "You remodel to change with the times—that doesn't just mean the building and the decorating but the service and the food, too. If you do this then you can offer your customers the new adventure that they crave and the old things that they love about your restaurant."

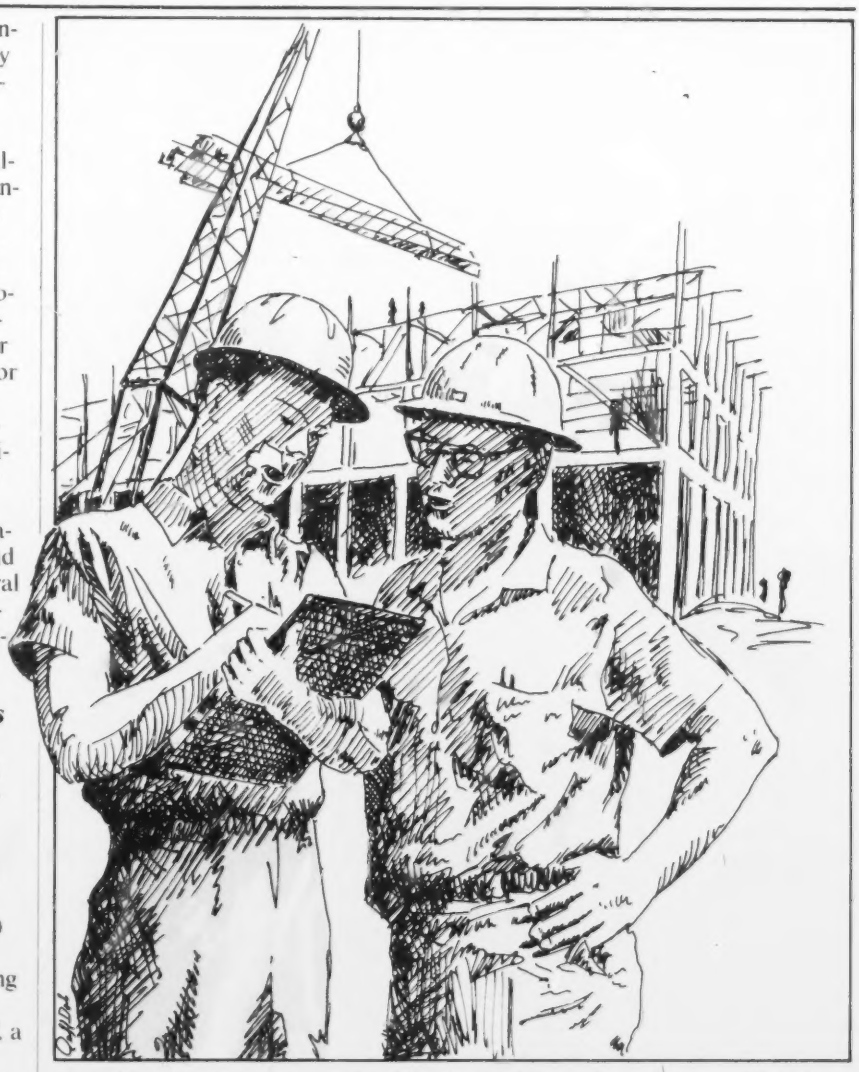
❑

How to increase productivity on your next building project

by Richard S. Pepper
Chairman, Pepper Construction Co., Chicago, IL

Unlike the weather, construction productivity is something that restaurant owners and other construction buyers can do something about. Although the labor unions and government set many of the ground rules and the general contractor or construction manager has much to do with the overall planning of the project and the way workers are motivated and supervised, the owner or developer of the project has a major input to make as well. This input has been documented by the Business Roundtable, a national organization of some 200 chief executive officers of major corporations.

Here are the major recommendations made by the Roundtable—and endorsed by the Associated General Contractors of America—that construction users can put to work immediately.



Make sure management systems are established . . .

There are four basic management systems involved in every construction job

1. planning and scheduling
2. cost estimating, budgeting and control accounting
3. quality assurance (inspections) and
4. materials management (ordering and warehousing).

Whether through an internal staff, a construction manager or a general contractor, the administrator should make certain these systems are established and operating before the project begins. Setting up such systems costs money, but the Roundtable says the owner can save 20 times the cost so the systems more than pay for themselves.

In the area of materials management alone, the owner can save six percent of project labor costs if he or she can assure materials are on hand when needed. To make sure things are ordered on time, owners should monitor purchasing actions by their own organizations and by their contractors. The new inexpensive microchip computers and software can help track orders and deliveries.

Since the four management systems are related, owners may want to use automatic data processing systems designed so that each system is self-contained and reports data required for control of the function. In addition, the systems should be tied together so that a change of data in one system will be reflected immediately in the other related systems.

Understand the different types of contracts . . .

The way a contract is written can add or save five percent of the project costs. A formal contracting plan can help develop a logical approach to risk management based on project objectives. The most successful contracts have at least one fundamental

point in common: thoughtful and meticulous preparation by the owner.

The five most popular contracts are lump sum, guaranteed maximum price, construction management, design/build and turnkey. Each has advantages and disadvantages.

A lump sum approach requires the general contractor to do the job for a fixed price, regardless of the eventual cost of the project. The advantages are that all the costs are known upfront, the burden of meeting the budget falls on the contractor and the bidding system tends to produce the lowest possible price. But bids cannot be made until all documents are complete, which can delay financing and the construction process itself. Moreover, changes or redesign are usually very costly, and the lump sum contract puts the contractor in an adversary position with the owner since the contractor is trying to minimize costs to maximize profits.

With a *guaranteed maximum price* (GMP) contract, the general contractor guarantees that the total cost of the project will not exceed an agreed-upon level. Owners and developers can usually begin to seek financing or even start construction before all documents are prepared. Because the contractor is chosen early in the design phase, the owner or developer can take advantage of the contractor's expertise in selecting the most cost-effective materials and building systems. Because both parties share in any resulting savings, the relationship is usually cooperative not adversarial.

To make the GMP work, the owner or developer must work with a contractor whose experience allows him or her to make accurate estimates. Otherwise the price "guarantee" will be of little value. Because the GMP approach is fast, there is the temptation to move ahead as quickly as possible, even if some major designs are not finalized. This can make corrections very expensive, especially if construction is well underway.

Under the *construction management* (CM) method, the owner or developer hires the subcontractors directly and retains a construction manager to supervise the work for a fee. The owner or developer gets the early input advantages of the GMP contract. At the same time, because primary contractors must still bid competitively, he or she gets the maximum price benefits of the lump sum low bid system. But introducing a construction manager into a previously "closed" group can cause friction and even an inability to find a workable design. The owner also carries the risk with contracts he or she negotiates with subcontractors.

With the *design/build* system, the contractor is hired to design as well as build the intended project. The general contractor must therefore have an in-house architectural staff or access to qualified architects. This system maximizes coordination and usually guarantees that the final plan is practical to build. Changes, if necessary later, are also expedited. But the owner sacrifices control, and the contractor may be tempted to sacrifice aesthetic elements or construction details to reduce his or her costs.

The *turnkey* system means the contractor has all the responsibilities under the design/build method and also becomes responsible for land acquisition and financing. In short, the contractor becomes the developer, who then sells or leases the finished building back to the buyer. With a turnkey contract, the owner does little once the initial specifications are communicated. He or she simply waits for the product to be delivered. Therefore, the owner must make sure the requirements are clearly understood so that the building that is delivered is one he or she can use.

Hire a contractor with a good safety record . . .

Safety is another important area to consider when evaluating a contractor. In addition to humanitarian reasons for safety, there are financial concerns. Contractors with a good safety record generally have lower insurance rates, which are reflected in their costs. Safety on the job also means less time lost, which, too, saves money.

In addition to hiring a contractor with a good safety record, administrators should

- require the contractor to get work permits for especially hazardous tasks
- set goals for contractors to reduce accidents and
- conduct formal site inspections to regularly audit the contractor's safety practices.

Finally, the Roundtable study recommends that owners enthusiastically back a labor motivation program and provide site management to support motivation concept principles. It also says owners should assist in eliminating such demotivating items as late design, design changes and work environment problems, such as non-availability of materials and tools, unsafe conditions, poor inspections and lack of recognition for efficient work practices. A clear and open communication system for the project is also a prerequisite for productivity. ❑

TECHNICAL SERVICES

Foodborne illnesses can be prevented

Foodborne illnesses are an unwanted and unwelcome complication in operating a restaurant. They mean discomfort and sickness for customers and employees, medical expenses for treating the ill and often unfavorable publicity.

Although the Center for Disease Control lists close to 200 different illnesses transmitted by food, three are of primary concern to the foodservice operator—salmonellosis, clostridium perfrigens and staphylococcus. A fourth, of less frequent occurrence but with deadly consequences, is botulism.

Salmonellosis appears soon after exposure and usually produces diarrhea and cramps rather than fever. It may last a number of days.

Clostridium perfrigens appears within a day after ingestion of the poisoned food and results in nausea, cramps and diarrhea of short duration.

Staphylococcus usually appears within six hours and lasts for one to two days. Nausea, cramps, diarrhea, chills and vomiting are among the symptoms.

Leading causes . . .

What are the causes of foodborne illness in restaurants? According to studies by the Center for Disease Control, the leading factors contributing to foodborne illness are

1. inadequate cooling of food, such as leaving foods at room temperature for several hours or storing inadequately cooled foods in large pots and pans in refrigerators
2. the lapse of a day or more between preparing and serving foods with improper hot or cold storage of the food in the interval
3. infected persons handling foods that are not subsequently heated
4. inadequate time or temperature during the cooking of food and
5. insufficiently high temperatures during the hot holding of food.

Foodborne illnesses can be prevented if proper operating practices are followed. These include

- holding and storing foods at proper temperatures (All cold foods must be kept at 45°F or lower. All hot food must be kept at 140°F or higher.)
- cooking all foods at 140°F or higher (Pork requires 150°F and poultry requires 165°F.)
- reheating potentially hazardous foods rapidly to 165°F or higher
- breaking down large quantities of cooked foods into smaller containers to facilitate rapid cooling
- working with clean and sanitized equipment and utensils
- eliminating cross contamination by being sure to clean and sanitize equipment and utensils when beginning the processing of a different food (For example, do not cut beef and poultry on the same cutting board.)
- proper cleaning of fresh fruits and vegetables
- good personal habits by workers, including washing hands after handling raw food or going to the toilet
- covering coughs and sneezes and keeping hands away from mouth and nose and
- prohibiting food handling by employees with cuts, skin infections and boils.

Educational materials are available from NRA . . .

The National Restaurant Association has available for purchase numerous pamphlets, posters and labels to assist in conducting your sanitation programs. These include the comprehensive *Sanitation Operations Manual*, which provides detailed information for establishing your own self-inspection program.

—Andrew P. Poledor

A test for food preparation personnel*

1. Hot food must be kept _____ °F or above.
2. Cold food must be kept _____ °F or below.
3. Food containers must be stored _____ inches off the floor.
4. Cook all foods to at least _____ °F, except:

   Pork must be cooked to at least _____ °F.

   Poultry and Stuffing must be cooked to at least _____ °F.
5. Previously prepared food must be reheated to _____ °F or higher.

Mark answer 6 through 12 either true or false

6. _____ Cooks may use the vegetable preparation sink for hand washing.
7. _____ Hands must be washed after smoking.
8. _____ Cooks may not eat while preparing foods.
9. _____ Stirring is one way to help cool foods rapidly.
10. _____ Knives must be cleaned and sanitized when switching from one product to another.
11. _____ Aspirins may be kept on a kitchen shelf with food.
12. _____ Coats worn to work may be hung in the kitchen.

1. 140; 2. 45; 3. 6; 4. 140, 150, 165; 5. 165; 6. F; 7. T; 8. T; 9. T; 10. T; 11. F; 12. F

*From the NRA employee training booklet "You Hold the Key"

FOODSERVICE TRENDS

Franchise restaurant sales
$34.2 billion in 1982

by Cecelia Niepold

Highlights

- **The franchise restaurant industry is booming. In 1982, 64,176 establishments posted $34.2 billion in sales.**
- **Franchise restaurant operators are continuing to diversify their menus and to upscale their concepts in the ongoing battle for market share.**
- **Restaurant franchising, a lucrative field for both entrepreneurs and large enterprises, accounted for an impressive 42.4 percent of total eating place sales.**
- **Hamburger franchise firms are still king. They captured almost half the franchise restaurant industry sales in 1982.**
- **Seafood franchise restaurant firms experienced the largest sales gain during 1982—an impressive 54.5 percent leap in sales.**
- **Americans may be diet conscious, but they are still splurging on sweets: They purchased $1.5 billion worth of goodies at ice cream and donut shops in 1982.**
- **U.S. franchise firms continue to expand abroad. In 1982, the number of foreign franchise restaurant establishments increased 8.1 percent to 4,675 units.**

Today Americans eat tacos in the East, barbecue in the North and Chicago–style pizza in the South. Regional boundaries for American foods are disappearing, and the phenomenal growth in the franchise restaurant industry is a major reason why. Franchise restaurants have spread across the country—running the gamut from spicy chicken eateries to gourmet ice cream shops.

Franchise restaurants captured a whopping 42.4 percent of all eating place sales in 1982 for a total of $34.2 billion in sales. Ten years earlier, this segment accounted for only 26.2 percent of eating place sales and totaled $6.8 billion in sales—an indication of this category's tremendous growth. Several factors, such as innovative franchise restaurant concepts, continued menu expansion, increased advertising, and Americans' desire for diverse, convenient foods have all contributed to the franchise restaurant industry's impressive growth.

The following article highlights the exciting trends in the franchise restaurant market and summarizes a recently released Department of Commerce study, *Franchising in the Economy, 1982-1984.** The Commerce Department survey is conducted annually and is the only study of its kind in the U.S. This year's report contains current information on 458 franchise restaurant companies operating 64,176 company-owned and franchisee-owned units.

The National Restaurant Association also compiles an indepth report of the franchise restaurant industry based on data from the Commerce Department survey. This informative tool, *Franchise Restaurants: A Statistical Appendix to Foodservice Trends*, summarizes information from 1969 to 1984 and is available from the National Restaurant Association at 311 First St., N.W., Washington, DC 20001.

Sales and unit growth show healthy gains . . .

The franchise restaurant category is one of the strongest members of the total U.S. franchise network. In 1982, franchise restaurant firms accounted for 14.6 percent of all franchise units and 9.1 percent of total franchise sales.

This strength is reflected in the sales growth reported for the franchise restaurant category. Sales jumped 13.7 percent in 1982 to $34.2 billion—a much stronger performance than the 7.8 percent increase in 1981. Unit growth was up 3.8 percent in 1982, slightly above the 3.2 percent advance posted one year earlier. The healthy sales gain and moderate unit growth may be a reflection of several factors. In 1982, many franchisors trimmed their expansion plans due to the lingering effects of the recession, but refined and upgraded their existing restaurants' concepts to improve overall sales. New firms entering the franchise market also

contributed to the strong sales growth. During 1982, 42 new companies entered the franchise segment, while 24 either abandoned franchising as a marketing method or went out of business. The net gain was 18 new firms, which boosted the total number of franchising firms to 458. In comparison, the net gain in 1981 was 15 firms.

When the survey was conducted in mid-1983, franchisors were very optimistic about the future growth of this segment. They estimated sales would reach $38.7 billion in 1983—a 13.2 percent increase. Due to the recovering economy and improved consumer spending levels, even brighter days are expected in 1984. Sales are projected to jump 14.2 percent to $44.1 billion.

Franchisors also expected increases in unit expansion—advancing 7.1 percent in 1983 and 8.9 percent in 1984.

The National Restaurant Association supports this positive outlook and estimates total eating place sales, which include franchise restaurant sales, will increase 9.4 percent in 1983 and 9.8 percent in 1984.

Franchisee-owned units post strongest rise . . .

The franchise restaurant industry is divided into two ownership categories—company-owned and franchisee-owned. Sales gains for franchisee-owned outlets outdistanced those for company-owned units in 1982. Sales at the former rose 15.1 percent to $22.2 billion, while sales at the latter advanced 11.1 percent to almost $12 billion.

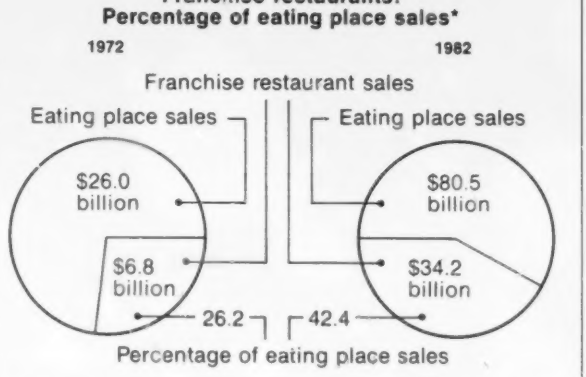
Franchisors expect this trend to continue and predict that in 1983 sales will increase 13.3 percent for franchisee-owned units and 12.9 percent for company-owned units. In 1984, sales are predicted to be up 14.6 percent for franchisee-owned establishments, reaching $28.8 billion, versus a somewhat slower 13.5 percent increase to $15.4 billion projected for company-owned outlets.

For the second time since 1975, in 1982 more units were purchased for company operation than were converted to franchisee-ownership. This was primarily due to the depressed economy, according to the Department of Commerce Study. Even so, franchisee-owned units increased at a faster rate than company-owned outlets during 1982. The number of franchisee-owned establishments advanced 3.9 percent to 44,159 units in 1982, while the number of company-owned units advanced 3.4 percent to 20,017 outlets.

Franchisors predict growth in the number of franchisee-owned outlets will again outpace company-owned units in 1983: an increase of 7.3 percent for the former versus a 6.7 percent rise for the latter. This trend should continue through 1984, with franchisee-owned outlets growing 9.2 percent and totaling 51,755 units and company-owned units increasing 8.1 percent and reaching 23,087 outlets.

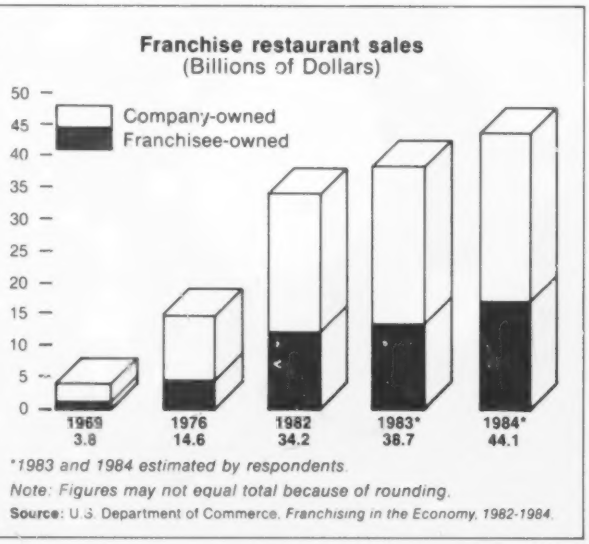
Large firms still dominate . . .

The large franchising firms still account for the lion's share of franchise restaurant industry sales and units. In 1982, the number of firms with more than 1,000 company-owned and franchised units increased from 13 to 14—bringing the total back to the 1979 and 1980 level. Sales for the large multi-unit firms were $20.0 billion in 1982—up 19.9 percent from the $16.7 billion posted in 1981. Pre-



*NRA eating place sales figures include only establishments with payroll and do not include food contractors.

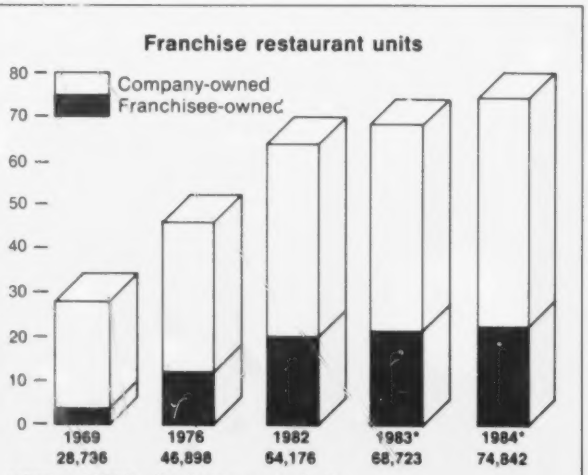
Sources: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984*; NRA.



*1983 and 1984 estimated by respondents.

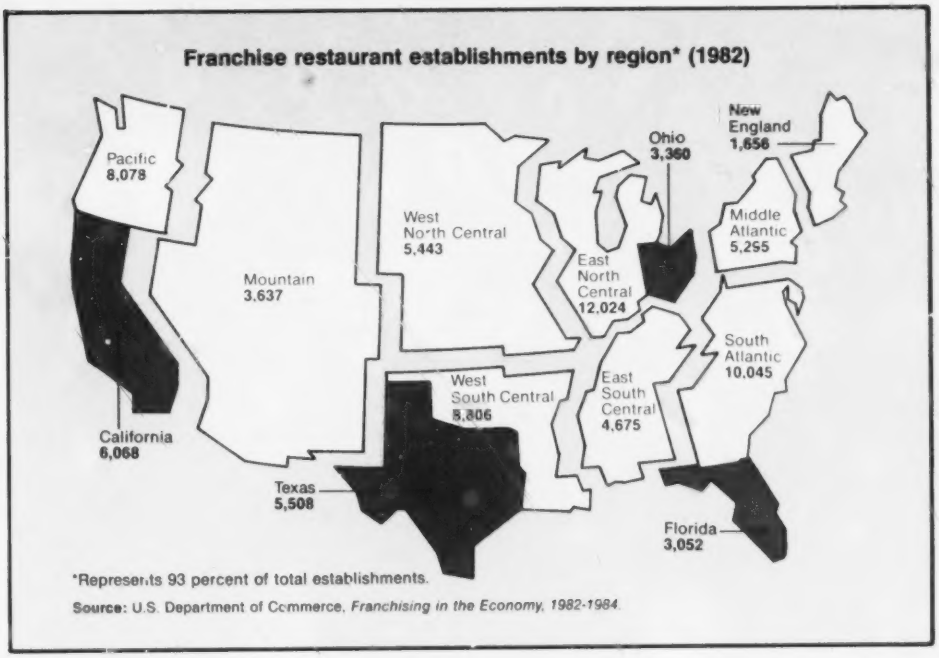
Note: Figures may not equal total because of rounding.

Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*



*1983 and 1984 estimated by respondents.

Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*



dictably, these giants account for the largest proportion of franchise restaurant sales. In 1982, this proportion increased to 58.7 percent—up from 55.7 percent in 1981. The largest firms also accounted for the greatest proportion of units—52.9 percent. This was slightly above the 51.6 percent share of total units held in 1981.

The number of medium-size franchising firms has caught up with the larger companies. In 1982, 14 companies reported 501 to 1,000 company-owned or franchised units—up from 12 firms in 1981. Sales for this group increased 11.8 percent and accounted for 13.7 percent of all franchise restaurant sales. There were 9,741 units within this group—15.2 percent of the total outlets

Interestingly, one of the smaller franchising company segments (firms operating between 51 and 150 units) reported very significant gains in 1982. The number of firms in this category grew from 54 to 61 in 1982, and sales jumped 27.5 percent. The number of units in this segment also increased substantially —22.3 percent. This may be a reflection of the innovative niches developed by smaller franchises.

Even though the franchise restaurant market appears to be dominated by the larger firms, smaller organizations still comprise a significant segment of the industry. Seventy-two percent of the franchise restaurant firms had 50 or fewer outlets. Many of these firms are just beginning their businesses—an indication that the franchise restaurant field still offers much opportunity for growth-minded entrepreneurs.

Service remains an important component . . .

Franchise owners, large and small, recognize the importance of giving their customers the service they desire. To successfully compete with other restaurants, franchisors have become more customer-oriented. Some offer self-service and drive-in facilities while others offer table service. According to the Department of Commerce study, 20 firms offer both types of service.

Most franchisors emphasize quick (self-service or drive-in) service. In 1982, 278 firms offered these conveniences—up only slightly from 273 firms in 1981. The more traditional chains that serve chicken, hamburgers, fish and other types of sandwiches most often offer this service.

More firms are offering waiter/waitress service. In 1982, 180 firms offered this type of service—significantly above the 167 providing waiters or waitresses in 1981. Steak and full menu restaurants were the largest promoters of this service, with 92 firms offering tableservice in 1982. Both types of service are common at pizza franchise establishments, with 68 firms providing self-serve or drive-in facilities and 38 companies offering tableservice in 1982. Pancake franchise restaurants, on the other hand, offer only waiter/waitress service.

Employment in franchised restaurants up 9.1 percent . . .

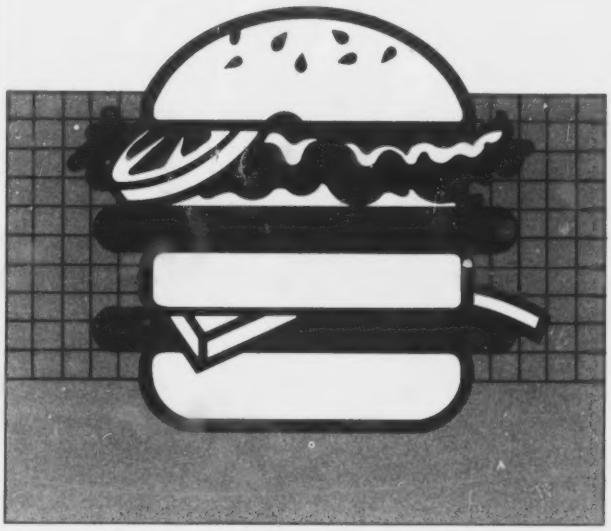
In 1982, 1.8 million people were employed by franchise restaurants—up 9.1 percent from one year earlier. According to the Department of Commerce study, the franchise restaurant segment is the top employer within the total franchise network. It accounted for 36.8 percent of overall franchise employment in 1982. This proportion is expected to accelerate in the next few years as the franchise restaurant sector continues to expand. Approximately 38 percent of all persons employed in eating places in the U.S. worked in franchise restaurants—another indication of the widespread effect this sector has in foodservice and the overall economy.

Largest growth in West South Central region . . .

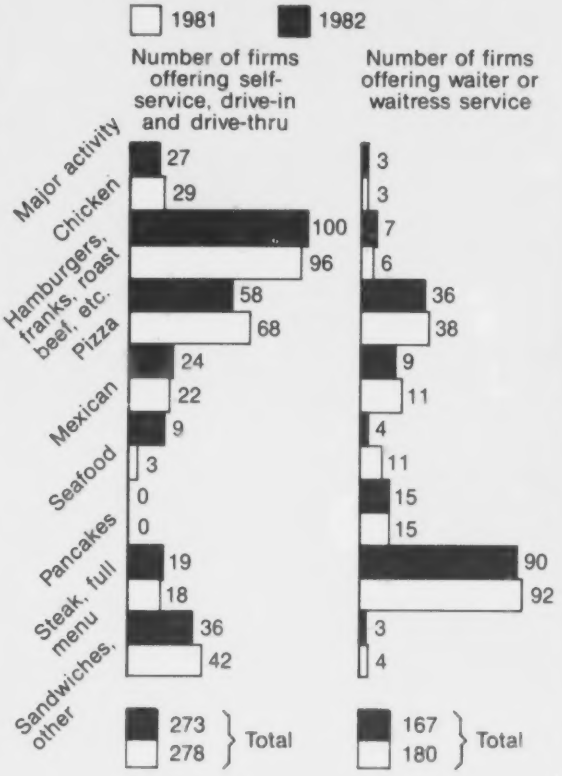
The number of franchise restaurants jumped 23.8 percent in the West South Central region in 1982—the largest increase reported among the nine census regions. This significant advance was fueled by above average gains in both Texas and Oklahoma. The East North Central region accounted for the largest share of franchised restaurants—18.7 percent of the nation's franchise units were located in this area in 1982. However, this region experienced a 0.7 percent decline in the number of franchise establishments during 1982—the largest drop among the census regions.

The smallest percentage of units—2.6 percent—is located in the New England region. Among individual states, the highest number of franchised restaurants continues to be in California, Texas, Ohio and Florida.

An analysis of franchise restaurant types



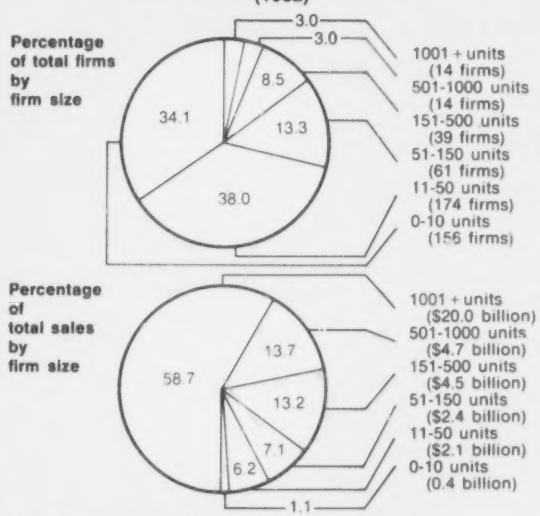
Principal type of service provided by franchise restaurant firms



Note: This information represents the primary type of service offered.

Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Percentage of total franchise restaurant sales and firms—by firm size (1982)



Note: Figures may not be equal because of rounding.

Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Hamburger firms battle for market share . . .

Despite increased competition, franchise hamburger, roast beef and frank firms still dominate the franchise sector of the restaurant industry, but they have placed more emphasis on advertising and menu expansion to maintain and improve their market shares. Franchisors have added items, such as specialty sandwiches, salads and even baked potatoes, to cater to consumer demand for lighter, more varied and nutritional foods. Several industry giants have expanded into non-traditional markets, such as colleges, hospitals and airport terminals to bolster sales. Many franchisors are also focusing on the international market to further boost overall sales. These trends are expected to continue as franchisors specializing in hamburgers combat market saturation and stepped-up competition from other burger chains as well as different franchise restaurant types.

Summary:

Hamburger franchises

- Franchise hamburger restaurants captured slightly more of the total franchise restaurant market in 1982 and accounted for 49.4 percent of all franchise restaurant sales and 42.5 percent of total units.
- Sales reached $16.9 billion in 1982—up a whopping 17.7 percent from the $14.3 billion posted in 1981.
- There were 27,285 franchise hamburger units in 1982—1.3 percent more than in 1981. This moderate gain was an improvement, however, over 1981's 0.3 percent decline in total units.
- Sales for franchisee-owned units rose 20.4 percent to $12.4 billion in 1982, versus a much smaller 10.8 percent rise to $4.5 billion recorded by company-owned outlets. This is a dramatic turnaround from the prior year when fran-

chisee-owned unit sales dropped 3.1 percent and sales at company-owned outlets jumped 18.6 percent.

- The number of company-owned units, though, increased 2.9 percent to 6,100 in 1982—somewhat above the 0.8 gain reported for franchisee-owned outlets, which reached 21,185 units.
- Franchisors expect sales to increase at a slightly slower pace in the next few years and predict sales will advance 12.4 percent in both 1983 and 1984 to $19.0 billion and $21.3 billion, respectively.
- Unit growth is projected to accelerate somewhat, however—jumping 4.7 percent in 1983 and 7.3 percent in 1984.

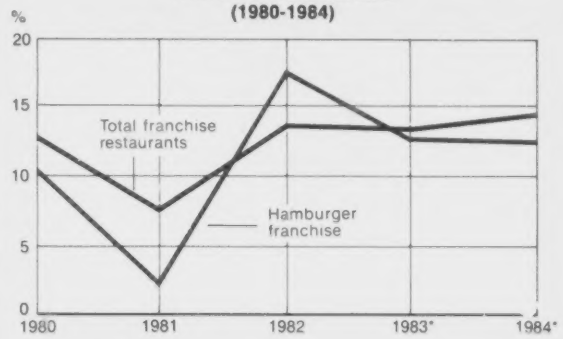
Pizza firms add more pizazz . . .

A net total of 12 firms entered the franchise pizza market in 1982—an indication of the continuing popularity of this segment. Pizza franchisors are focusing on capturing more of the lunch traffic and emphasizing quick delivery, lunch buffets and lighter dishes, such as smaller pizzas and salad bars. Franchisors continue to diversify their menus and are adding items, such as unique regional pizza toppings, to add more pizazz to their menus. Entertainment continues to be a key theme for several pizza companies, and franchisors are expanding their entertainment concepts to carve their own distinct market niche. International expansion is also underway in this franchise category and has spread as far as Australia and the Caribbean.

Summary:
Pizza franchises

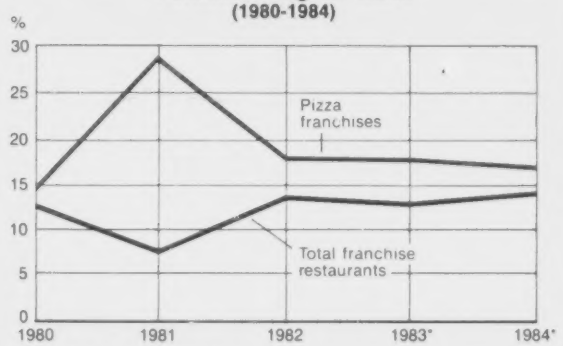
- In 1982, franchise pizza restaurant sales reached $3.7 billion—up 18.0 percent from a year earlier. Even so, this was somewhat slower than the impressive 29.0 percent leap in sales during 1981.
- The number of units reached 10,629 in 1982—a 9.6 percent advance and slightly above 1981's 8.8 percent gain in total units.
- Company-owned unit sales out-performed franchisee-owned sales for the first time in several years and rose 21.5 percent to $1.4 billion. This compares with a 16.0 percent sales gain for franchisee-owned units, which reached $2.3 billion.
- The number of franchisee-owned outlets, however, advanced substantially more than company-owned units. Franchisee-owned units increased 12.6 percent to 6,929 outlets while the number of company-owned units rose 4.5 percent to 3,700 units.
- Franchisors expect total pizza franchise sales to rise 18.0 percent to $4.4 billion in 1983 and then experience a 17.1 percent gain in 1984.
- Total outlets are projected to reach 12,042 in 1983—a 13.3 percent jump. A slightly slower 12.1 percent advance in total units is expected in 1984.

Franchise hamburger restaurants versus total franchise restaurants
(1980-1984)



*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Pizza franchises versus total franchise restaurants: Percent change in sales
(1980-1984)



*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Chicken franchises are moving up the pecking order . . .

The franchise chicken restaurant segment is soaring with expanded menus and changing restaurant concepts. Spicy chicken, a variety of homemade biscuits, salad bars and other Southern menu items are tempting tastebuds across the country. Several franchisors have also developed more upscale concepts—a significant change from the traditional chicken franchise restaurant. Competition has intensified as each franchise chicken firm seeks to differentiate its products. More chicken franchises are concentrating on the lucrative breakfast market and heavily promoting their biscuits along with other breakfast items. Although overall sales during 1982 for this entire segment were not outstanding, franchisors expect a stronger performance in 1983 and 1984. Americans' perception of chicken as a nutritional alternative to other fast foods as well as fairly stable poultry prices should help bolster chicken franchise sales.

Summary:
Chicken franchises

- Franchise chicken restaurant sales topped $2.9 billion in 1982—a moderate 4.0 percent increase.
- The number of units advanced 4.7 percent and totaled 7,773 outlets in 1982—significantly above 1981's 0.7 percent rise in overall units.
- Sales at company-owned establishments easily outpaced franchisee-owned units and reached $1.1 billion—a strong 16.5 percent advance. On the other hand, sales at franchisee-owned outlets dropped 2.3 percent and totaled $1.8 billion.
- The number of franchisee-owned units increased only 0.8 percent to 5,182 outlets, while to-

tal company-owned units rose 15.2 percent to 2,591 establishments.

- Franchisors expect a brighter future for chicken franchises and project sales will jump 21.1 percent in 1983, reaching $3.6 billion. Sales are expected to total $4.4 billion in 1984—a 23.5 percent leap.
- Unit growth is also expected to pick up in 1983 and advance 10.3 percent. The total number of units is projected to reach 9,489 outlets in 1984—a healthy 11.3 percent increase.

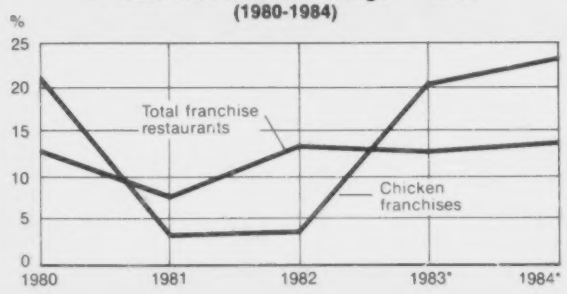
Mexican franchise expansion cools down . . .

Low cost and easy-to-prepare foods, along with the novelty of the Mexican concept, have fueled rapid expansion in the franchise Mexican restaurant segment. Growth has slowed somewhat, however, as competition has intensified in this market. Consequently, operators are working to differentiate their individual concepts from their competitors. Relatively low food costs for standard menu items, such as tacos, poultry, beans and rice, though, will continue to help overall sales.

Summary:
Mexican franchises

- Sales for franchise Mexican restaurants rose 17.6 percent to $1.2 billion in 1982. This is slower, however, than the impressive 21.8 percent gain posted in 1981.
- Unit growth slowed substantially, advancing only 1.9 percent to 3,059 units—significantly below the 8.2 percent rate of expansion recorded in 1981.
- The number of firms operating franchise Mexican units remained at 33 in 1982, and this may have contributed to the relatively slower growth.
- Company-owned unit sales jumped 31.6 percent to $645 million. Sales at franchisee-owned establishments increased a moderate 5.8 percent, reaching $613 million.
- A 1.3 percent drop in the number of franchisee-owned units contributed to the slower sales at these outlets. The number of company-owned units, however, rose 6.0 percent totaling almost 1,400 outlets.
- Franchisors expect total sales to pick up in 1983 and reach $1.5 billion—a hefty 19.3 percent increase. Sales growth is projected to slow somewhat in 1984, rising 15.6 percent to $1.7 billion.
- Unit expansion is also expected to improve in 1983, advancing 10.3 percent. In 1984, total outlets are projected to reach 3,683 units—a 9.2 percent gain.

Chicken franchises versus total franchise restaurants: Percent change in sales (1980-1984)

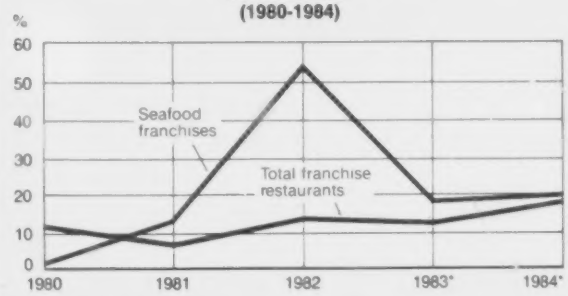


*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Mexican franchises versus total franchise restaurants: (1980-1984)

*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Seafood franchises versus total franchise restaurants: (1980-1984)



*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Seafood franchises show top growth . . .

Franchise seafood restaurants posted impressive sales gains in 1982 and significantly out-performed the other franchise restaurant categories. Many seafood franchises have capitalized on Americans' desire for lighter and more nutritional foods and have begun promoting non-fried seafood items, such as broiled and baked entrees. Some organizations have even added innovative menu items like mesquite grilled fish. A substantial addition in the number of franchisee-owned units—a turnaround after two years of decreases in this segment—may have contributed to the above average expansion. Overall growth in this category is expected to continue as firms market their concepts as healthy alternatives.

Summary:
Seafood franchises

- Sales totaled $1.4 billion in 1982—a tremendous 54.5 percent jump. This is significantly above 1981's 13.1 percent gain and 1980's modest 1.5 percent increase.
- Unit expansion advanced 27.6 percent, reversing two years of declining growth. The total number of units reached 2,840 in 1982.
- One new firm entered the franchise seafood market during 1982, bringing the total to 14. This contributed to the substantial

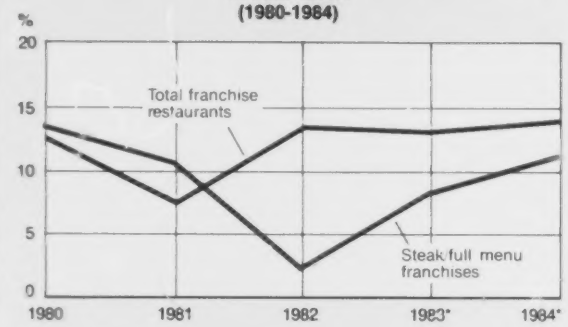
growth in the segment.

- Both company-owned and franchisee-owned unit sales skyrocketed in 1982. Sales at company-owned outlets rose 57.6 percent to $756 million, compared with a 26.7 percent gain in 1981. Franchisee-owned sales advanced 50.8 percent to $617 million—substantially above the 0.4 percent increase recorded during 1981.
- The total number of franchisee-owned units jumped 42.1 percent to 1,528 outlets, while company-owned units increased 14.0 percent to 1,312 establishments. This follows 1981's sharp 10.6 percent deline in franchisee-owned units and a moderate 5.8 percent advance in company-owned outlets.
- Franchisors predict sales will slow somewhat in 1983 and reach $1.6 billion—a 19.4 percent increase. Sales are expected to rise 20.0 percent in 1984 for a total of $2.0 billion.
- Unit growth is also projected to subside slightly in 1983, increasing 7.7 percent. A somewhat stronger 10.0 percent gain in total units is predicted for 1984.

Slower steak/full menu franchise sales . . .

A variety of factors are affecting the wide range of restaurants within the franchise steak/full menu segment. With a heavy concentration of units in the slowly recovering Midwestern states, many budget steakhouse operators are depending on the economic upturn to help boost sales. Meanwhile, some have developed more upscale concepts and expanded their menus to check their dependence on beef sales. Steakhouse firms have begun emphasizing lighter entrees, such as salad bars and seafood, to broaden their market appeal. Competition in the casual theme restaurant segment has intensified as expansion continues in this market. In general, many operations in the steak/full menu franchise category (particularly family restaurants) are also offering low-ticket breakfast specials, regional menus and daily dinner specials to boost overall traffic.

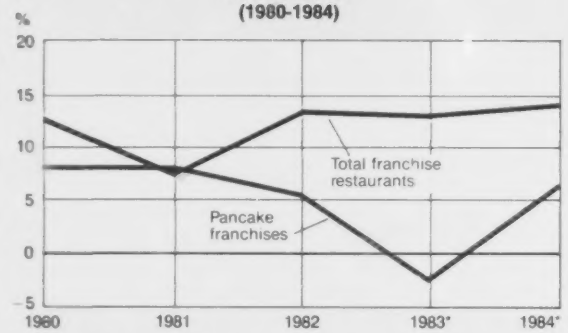
Steak/full menu franchises versus total franchise restaurants: (1980-1984)



*Estimated by respondents.

Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

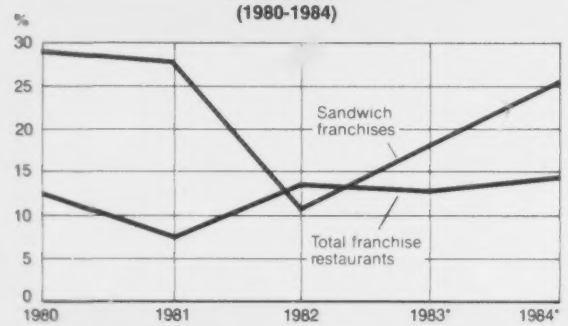
Pancake franchises versus total franchise restaurants: (1980-1984)



*Estimated by respondents.

Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Sandwich franchises versus total franchise restaurants (1980-1984)



*Estimated by respondents.

Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Positive economic growth should significantly bolster sales in the steak/full menu franchise segment as consumers with improved spending power trade up to both mid-price and higher-price ticket restaurants.

Summary:
Steak/full menu franchises

- In 1982 sales advanced 2.2 percent for a total of $6.7 billion—a considerably slower gain than the 10.6 percent increase recorded in 1981.
- During 1982 the number of units dropped 2.9 percent from 9,406 to 9,135. This compares with a 6.2 percent gain in total units during 1981.
- Franchisee-owned sales outpaced company-owned sales, rising 6.9 percent to reach $3.5 billion. On the other hand, sales at company-owned outlets declined 2.5 percent and totaled $3.2 billion in 1982.
- The slower sales growth for company-owned establishments was primarily the result of a 6.4 percent decline in total company-owned units in 1982. The number of franchisee-owned outlets rose only slightly—0.1 percent.
- Franchisors expect a stronger performance in 1983. They predict sales will rise 8.3 percent to $7.3 billion. Sales are expected to reach $8.1 billion in 1984—a substantial 11.1 percent gain.
- Unit growth is also projected to pick up in 1983, advancing 3.2 percent to 9,429 units. Total units are expected to reach 9,927 outlets in 1984—a stronger 5.3 percent increase.

Pancake franchises post below average gains . . .

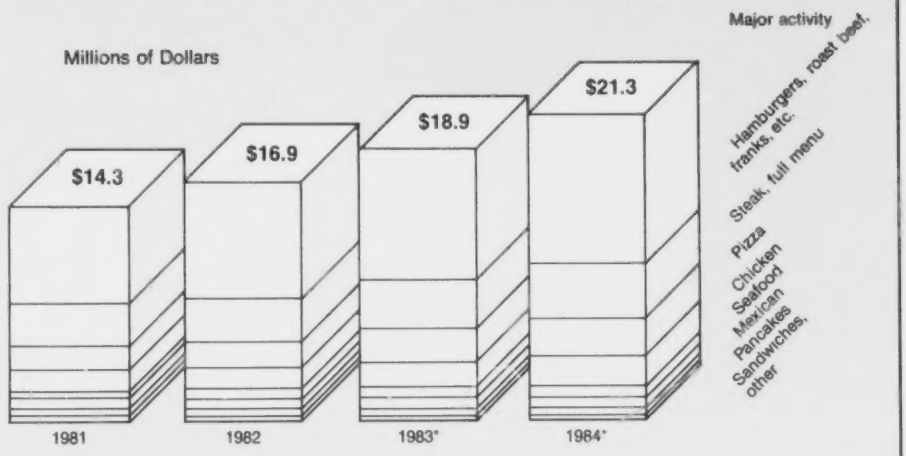
Growth has slowed significantly in the franchise pancake restaurant sector. To reverse this trend,

firms are expanding their menus and focusing on the dinner and lunch meal periods as well as breakfast. Franchisors are adding lighter entrees as well as a few ethnic items to appeal to a broader range of customers. The overall increase in the number of patrons eating breakfast away from home should help bolster sales in this segment.

Summary:
Pancake franchises

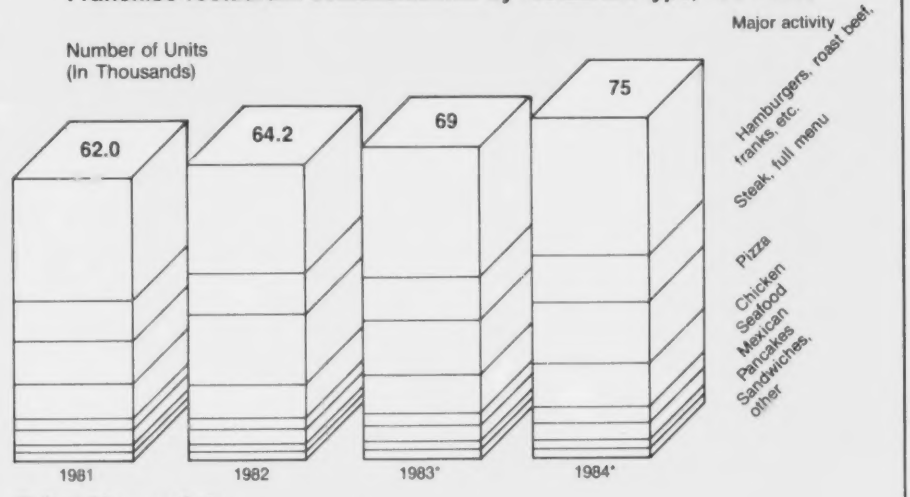
- Sales advanced 5.4 percent in 1982 and reached $893 million—the slowest percentage gain since 1974.
- Unit growth was up 9.7 percent and totaled 1,645 outlets.
- Sales growth was led by franchisee-owned units. Franchisee-owned outlets experienced a 7.5 percent increase in sales and reached $615 million versus a 6.2 percent advance posted in 1981. Sales at company-owned units rose only 1.0 percent to $278 million, down significantly from the 12.2 percent increase reported in 1981.
- The number of franchisee-owned units jumped 16.0 percent, fueling the stronger sales in this group. On the other hand, total company-owned units dropped 2.1 percent, indicating some retrenching in this area.
- Franchisors expect 1983 to be a tough year for franchise pancake restaurants and project a 2.3 percent drop in sales. The picture should brighten in 1984, though, as franchisors refine and expand their concepts. Sales are expected to rise 6.4 percent and total $929 million.
- Overall unit expansion is also expected to decline in 1983—approximately 0.3 percent. Total units should increase, however, in 1984 and advance 3.5 percent to total 1,698 outlets.

Franchise restaurant sales by restaurant type, 1981–1984



*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Franchise restaurant establishments by restaurant type, 1981-1984



*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Sandwich franchise segment grows . . .

Menu variety and adaptability have enabled the franchise sandwich restaurant segment to grow significantly. Sandwich franchises account for the smallest sector of the franchise restaurant pie; but because it is small, this category offers widespread growth opportunities. Small start-up costs, low cooking, low labor expenses and the simplicity of most operations have helped boost sales and should fuel further expansion. Sandwich shops are prevalent in shopping malls and downtown areas where their small size is an advantage. Many menus appeal to a broad range of tastes and offer soups, salads, pasta and, of course, a variety of sandwiches. Although growth slowed somewhat in 1982, franchisors remain optimistic about the future performance of this segment.

Summary:
Sandwich franchises

- Sales advanced 10.5 percent to $375 million in 1982—a slowdown from the 27.9 percent growth posted in 1981.
- Slower unit growth may have contributed to the weaker sales. Unit expan-

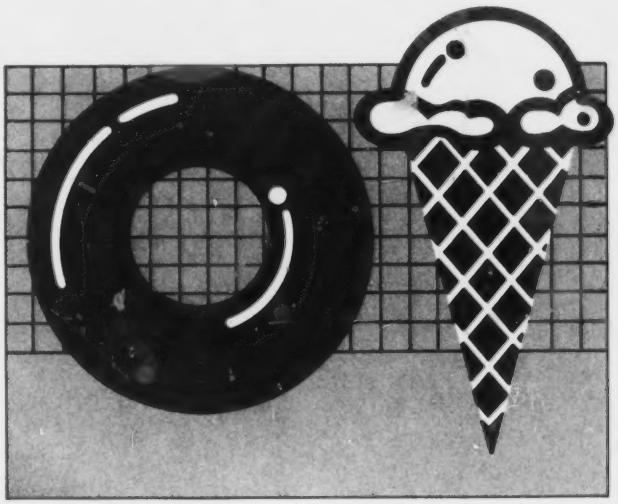
sion rose 7.5 percent and reached 1,810 outlets. This compares with a stronger 13.8 percent increase in total units during 1981.

- Even so, seven new firms began franchising in this segment during 1982, bringing the total to 46 firms and emphasizing the continued opportunities in this market.
- Sales at franchisee-owned outlets topped $310 million in 1982—an 11.4 percent increase. This was less impressive than the 25.2 percent increase recorded in 1981. Company-owned sales totaled $65 million and advanced a moderate 6.5 percent—significantly slower than the 41.9 percent rise in 1981.
- Unit growth was up 9.8 percent for company-owned outlets and 6.9 percent for franchisee-owned units. This compares with a 29.2 percent advance in total company-owned units and a 10.4 percent increase in franchisee-owned establishments.
- Franchisors predict sales will improve substantially in 1983 and expect sales to reach $443 million—an 18.0 percent increase. Sales should jump in 1984 and total $556 million—a hefty 25.5 percent gain.
- The total number of units is also expected to grow in 1983, rising 15.3 percent. Unit growth is projected to advance even faster in 1984—an increase of 20.9 percent.

Upcoming trends in the franchise restaurant industry

- **Upscaling.** Franchisors will step up efforts to upscale interior and exterior decor, service and the quality of the food they serve.
- **Menu expansion.** Chains will diversify menus to develop more signature items that will differentiate their restaurants from the rest of the competition. For example, firms are adding gourmet toppings to spruce up the basic burger and are replacing traditional sandwich buns with croissants.
- **Advertising.** Firms will put increased emphasis on advertising that focuses on their food, service and the generally good feeling a patron gets when eating in the restaurant.
- **Conversion and renovation.** Instead of building new units, firms will concentrate on remodeling or converting existing facilities to keep up with Americans' everchanging tastes.
- **Breakfast.** New breakfast items and increased promotions will surface as firms concentrate on developing this lucrative meal period.
- **Non-traditional markets.** Franchisors are moving into non-traditional markets, such as colleges, hospitals and military bases. This trend should continue as firms compete for a share of the increasingly crowded consumer market.
- **Emphasis on convenience.** Franchisors are experimenting with longer hours to boost their "quick and easy" image and combat growing competition from convenience stores.
- **International expansion.** Foreign markets continue to be the "new frontier" as franchisors capitalize on lucrative opportunities in the international marketplace.

Franchise ice cream store and donut shop sales total $1.5 billion



Franchise ice cream store and donut shop sales totaled $1.5 billion in 1982, making them a significant segment of the foodservice industry. Because these establishments are classified as "food retailers other than convenience stores" by the U.S. Department of Commerce in its study *Franchising in the Economy, 1982-1984;* their sales are not included in the 1982 $34.2 billion figure reported for franchise restaurants. If they were included, franchise restaurant sales would account for 44.3 percent of eating place sales.

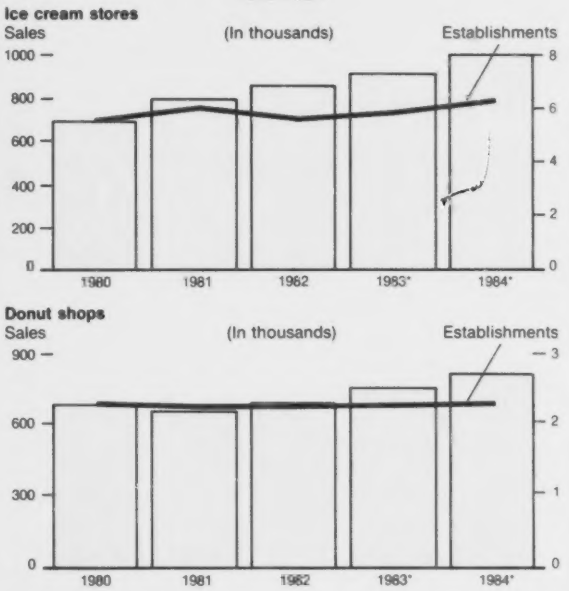
Ice cream franchises scoop up $856 million in sales . . .

Although many Americans profess to be watching their weight, it is apparent from the steady expansion in the ice cream market that consumers still love to splurge on ice cream. This trend is expected to continue. To cater to the increased demand for specialty items, ice cream franchisors are focusing on gourmet ice cream, unique toppings, non-dairy products and frozen yogurt.

Summary:
Ice cream franchises

- Sales for ice cream franchises were up 7.9 percent in 1982 and reached $856 million. This was somewhat below the 14.5 percent increase posted in 1981.
- Unit growth advanced 2.2 percent, reversing 1981's decline of 1.6 percent. Four new firms entered the market and helped boost the total number of units to 5,547.
- Sales at company-owned units more than doubled in 1982 and reached $52 million. This could be due to several firms just starting out and concentrating mainly on company-owned shops. Franchisee-owned unit sales, which totaled $805 million, advanced 4.7 percent—somewhat below the 14.5 percent gain recorded in 1981.
- The number of company-owned units increased 20.7 percent—a substantial turnaround from 1981's 11.8 percent decline. Total franchisee-owned outlets rose 1.7 percent and reversed 1981's 1.3 percent drop in total units.
- Franchisors expect sales to slow slightly in 1983 and rise 7.1 percent to $917 mil-

Ice cream store and donut shop sales and establishments 1980-1984



*Estimated by respondents.
Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

lion. A stronger 8.9 percent advance is projected for 1984 with sales reaching $998 million.

- Unit growth should rise 5.4 percent in 1983—the healthiest increase since 1978. This should be topped by the 5.9 percent jump predicted for 1984.

Donut sales up . . .

Franchise donut restaurant operators see brighter days ahead for donut franchises due to the overall increase in breakfast traffic and diversified menus. Franchisors have added breakfast biscuits, freshly ground coffee and even ice cream cookie sandwiches to boost customer traffic.

Summary:
Donut franchises

- Total donut franchise sales reached $680 million in 1982—a 4.7 percent increase—and a significant improvement from 1981's 5.6 percent decline in sales.
- The total number of units reached 2,221—up a modest 0.1 percent—but reversing the 1981 14.6 percent drop in total units.
- Company-owned unit sales advanced 9.5 percent to $89 million. They outpaced sales at franchisee-owned outlets, which rose 4.0 percent and reached $591 million.
- The number of company-owned units increased 1.8 percent in 1982 while total franchisee-owned outlets dropped 0.1 percent.
- Projections for sales growth during 1983 and 1984 are optimistic. Franchisors expect sales to rise 9.0 percent in 1984, totaling $741 million. In 1984, overall sales are predicted to reach $826 million—an 11.5 percent advance.
- Unit expansion is expected to rise 3.4 percent in 1983 and jump a more significant 8.8 percent in 1984. Franchisors expect most of this growth to occur in franchisee-owned units, as the number of company-owned units is predicted to remain fairly stable in 1983 and 1984.

Franchisors capitalize on lucrative international market

From Singapore to South Africa, U.S. franchise restaurants have spread around the world. As markets become more saturated in the U.S., franchisors are broadening their horizons and expanding into the lucrative and relatively undeveloped foreign marketplace. Despite increased competition from local firms and other international companies, opportunities for American-style franchising will continue as many foreign countries improve their standards of living and develop more service-oriented economies.

According to the recent Department of Commerce study, *Franchising in the Economy, 1982-1984*, 57 restaurant franchise firms operated 4,675 units throughout the world in 1982. Although two firms dropped out of the international marketplace, the total number of units rose 8.1 percent to 4,675 establishments. International expansion is a prime goal for many franchising firms, and 24 franchisors plan to begin operating foreign units by the end of 1985.

Japan took over the number one spot as the largest market for franchise restaurants with a total of 1,259 units. Canada moved into the number two position. Canadian total outlets declined 3.9 percent to 1,172 units—the only recorded drop in overall units during 1982. Australia had the next highest concentration with 522 establishments, the United Kingdom posted 481 units and continental Europe reported 360 outlets. The largest increase in U.S. franchise restaurants occurred in the areas of Asia other than Japan, where total units jumped 20.0 percent.

Hamburger firms still king . . .

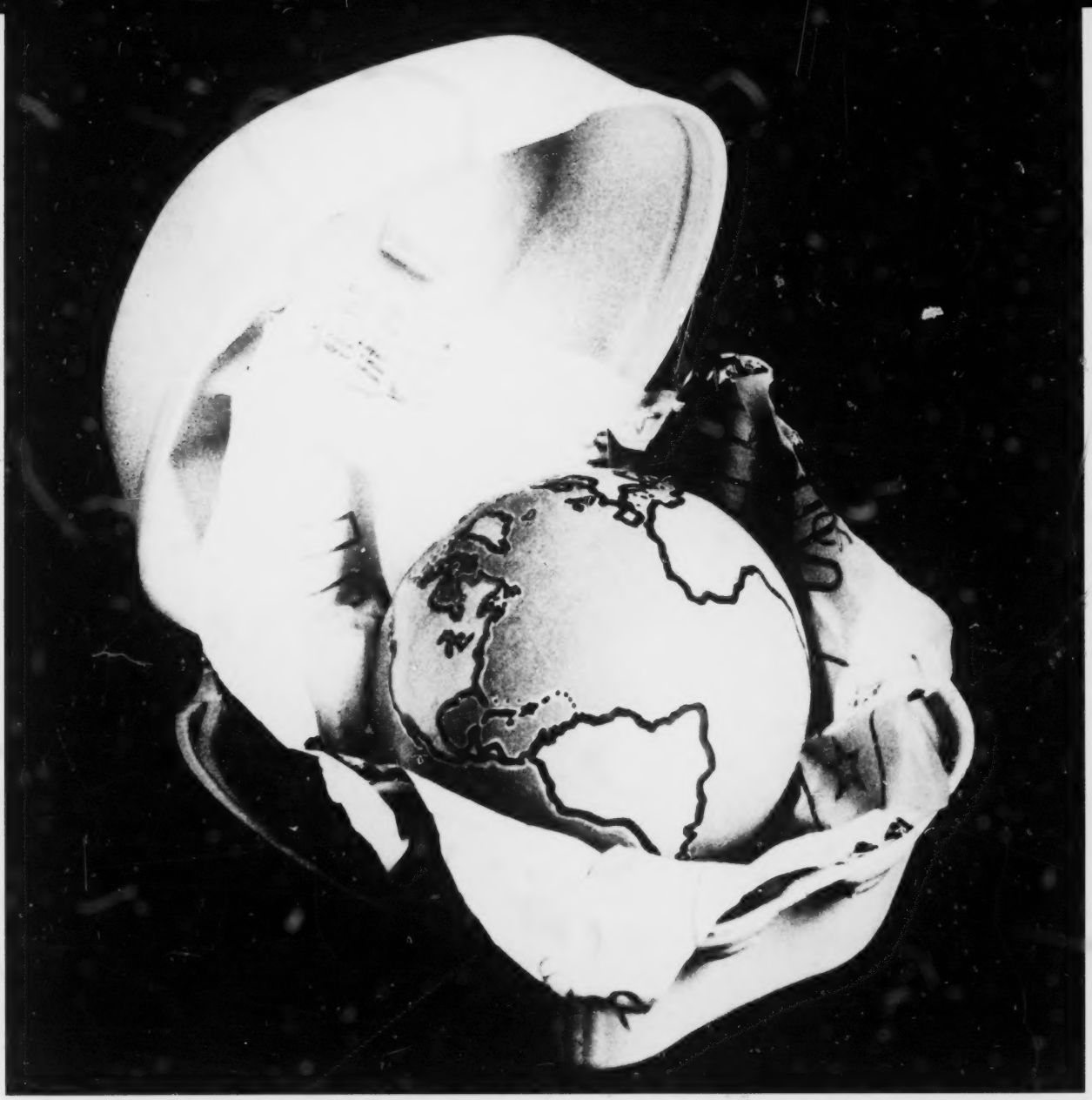
Hamburger firms continue to dominate the foreign restaurant marketplace. In 1982, 14 U.S. firms operated 2,362 units—over half the total establishments in the international market. Although one hamburger firm dropped out of the foreign marketplace, unit expansion was up 12.5 percent.

Canada, with 947 units, had the majority of hamburger outlets in 1982, followed by Japan with 548 establishments. The greatest expansion occurred in the United Kingdom where the number of units jumped 32.6 percent to 122 outlets. This large percentage increase reverses an unusually high proportion of establishments that dropped out of this market in 1981.

Hamburger operations are growing quickly in South America—advancing from seven to 21 units in 1982. Central America, on the other hand, was the only foreign market to post a decline in hamburger establishments—total units dropped from 35 to 24.

Chicken is number one in seven foreign markets . . .

Chicken franchises outnumbered all other franchise restaurant types in seven out of 12 reported international markets. For instance, chicken franchises accounted for 74.4 percent of the total franchise restaurant segment in the United Kingdom and an impressive 95.2 percent of Africa's establishments. Chicken franchises are also most preva-



lent in Mexico, the Caribbean, Asia (other than Japan), Australia and New Zealand. One reason for this dominance could be that chicken franchisors entered the international market relatively early and have become more accepted in some parts of the world than several other types of American franchise restaurants.

Six U.S. firms operated foreign chicken franchises in 1982—the same number as a year earlier. Even so, the number of franchise chicken outlets advanced 7.7 percent to 1,483 units. Japan had the largest number of franchise chicken outlets, with 406 establishments, followed by the United Kingdom with 358 units. Slight decreases in total outlets, however, were recorded in South America, Continental Europe and Mexico.

Number of pizza franchise restaurants jumps . . .

Total international franchise pizza restaurants jumped 41.9 percent in 1982, expanding from 289 units in 1981 to 410 outlets. Some of this growth can be attributed to a new U.S. pizza firm entering the international marketplace, bringing the total number of pizza firms to nine.

The strongest growth occurred in Canada where the number of units rose from 19 to 68 during 1982. Australia had the largest concentration of pizza establishments with 121 units. Japan followed with 88 pizza outlets.

Mexican franchise restaurant growth slows . . .

Six franchise firms specializing in Mexican food remained in foreign markets in 1982, but the number of franchise units dropped slightly. In 1982, 52 Mexican franchise establishments were located outside of the U.S.—down from 60 units in 1981. The major decrease occurred in Canada where the number of outlets dropped from 39 to 31. Japan lost its only Mexican franchise unit in 1982, while Central America gained its first one. Sixteen Mexican outlets remain located in the Caribbean and four remain in Australia.

Number of franchise seafood restaurants drops . . .

The number of franchise seafood restaurants

dropped from 58 to 12 during 1982. Most of this decline occurred in Canada where franchise seafood units decreased from 53 to six. The number of franchise seafood firms operating foreign units declined from four to three in 1982, which probably contributed to the overall drop in outlets. Five seafood outlets continued to operate in Japan, and one new establishment opened in another area of Asia.

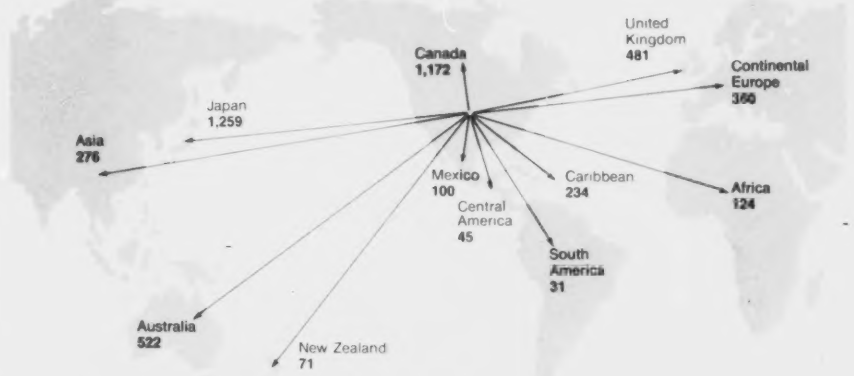
Total steak/full menu units decline . . .

Although 16 U.S. firms continued to operate international steak/full menu franchises, the total number of units dropped 19.5 percent to 342 outlets. Most of the decline occurred in Canada where the number of units was cut in half during 1982—decreasing from 197 to 100 units. This decline could possibly be due to companies cutting back or leaving the market. The heaviest concentration of steak/full menu franchises was located in Japan with 205 establishments. Mexico had a total of 20 steak/full menu restaurants, Australia had seven of these units, three were located in the Caribbean, and only one steak/full menu franchise remained in the United Kingdom.

Number of franchise pancake firms . . .

Two firms maintained franchise pancake restaurants outside the U.S. in 1982, but the number of outlets declined from 15 to 14. Seven pancake franchise units were located in both Canada and Japan.

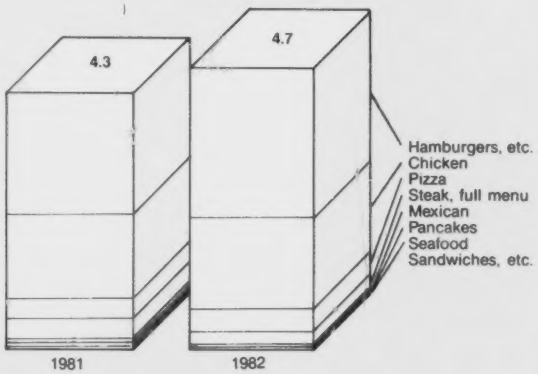
Location and Number of international franchise restaurants in 1982*



Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

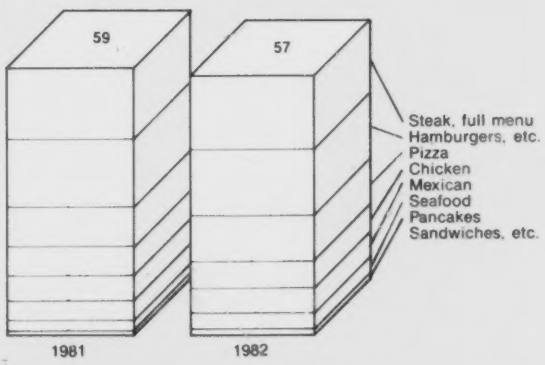
*Includes franchisee-owned, company-owned and joint ventures.

Number of U.S. establishments in international restaurant franchising
1981-1982
(In Thousands)



Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Number of U.S. firms in international restaurant franchising
1981-1982



Source: U.S. Department of Commerce, *Franchising in the Economy, 1982-1984.*

Editor's Note:

Franchise Restaurants: A Statistical Appendix to Foodservice Trends is now available for purchase. The cost to NRA members is $12.50 (plus $2 shipping and handling). The cost to nonmembers is $25 (plus $2.50 shipping and handling). Residents of Washington, DC, and Illinois must add a six percent sales tax. Chicago, IL residents must add an additional one-percent sales tax. To order, contact the National Restaurant Association, 311 First St. N.W., Washington, DC 20001 or call (800)424-5156. Payment must accompany all orders. Credit card telephone orders are accepted. Please specify number CS207 when placing your order.

* The Department of Commerce survey was completed by 1,770 franchisors representing an estimated 99 percent of total franchise sales and establishments in the U.S. The results from this survey are compiled in the Department of Commerce publication, *Franchising in the Economy 1982-1984.*

Sales and unit figures for 1982 and projections for 1983 and 1984 reported here are representative only of the 458 franchise restaurant firms surveyed in the most recent Department of Commerce study and do not include any new or established firms that may have begun franchising in 1982 and any present firms going out of business or abandoning the franchise system.

FOOD FOR THOUGHT

The high cost of fame

Big Jake was born a lobster in Boston, MA, at least 50 years ago. He grew and grew until he reached the awesome weight of 25 pounds.

Jeffrey Psyka, vice president of the Alaska Lobster Exchange, a wholesale/retail distribution house, was looking for a lobster just like Jake for display. Fame was just around the corner. Big Jake was off—no, not to Hollywood—but to Alaska. Customers were awestruck. Everyone wanted to touch him, to hug him or to pick him up. Finally the demands of fame were too much for Big Jake. Bright lights and constant appearances did him in. With a mere flicker of life left in him, Big Jake was given a $90 one-way ticket back to Boston for rest and perhaps retirement. But, alas, it was too late for Big Jake.

Big Jake may be gone, but thanks to taxidermy, he won't be forgotten.

—Washington Post

Salt-sensitivity test in the works

Many people are trying to cut down on their salt intake and with good reason. Excess dietary salt is believed to be a contributing cause of high blood pressure, which affects 37 million Americans. Recent studies indicate that up to 20 percent of the population is "salt-sensitive." When these people consume too much salt, they risk developing high blood pressure.

A new test developed at Vanderbilt School of Medicine in Nashville, TN, can show which patients are salt sensitive. This test, which may be available within a year, uses a protein fragment called peptide. A low peptide level may mean a person is salt sensitive and should cut back on salt to avoid the possibility of high blood pressure.

—USA Today

Everything you've always wanted to know about soda pop

If you have questions about your soda pop but don't know where to call, your worries are over. The Seven-Up Company, which makes diet and regular versions of lemon-lime 7-Up and a low-caffeine-cola Like, has instituted a toll-free consumer hot line at its St. Louis headquarters. The number is (800) 325-7272.

"We're in the consumer product business," says Seven-Up President Edward Frantel. "If somebody is angry with us or concerned, we want to know." Frantel adds that consumers are confused about the number of soft drinks on the market and have questions about caffeine, sodium content, sweeteners, carbonation and packaging.

—USA Today

A fishy promotion for Father's Day

A restaurant in a Canadian hotel is working on raising Father's Day sales. Last year, Montreal's Le Bonaventure Westin Hotel came up with a fishy promotion to attract families to its annual Father's Day brunch. It stocked its pond with 300 rainbow trout and supplied fishing rods to patrons who wanted to try their hand at catching their entree. The hotel's chefs were ready to cook each trout and serve it up for brunch—all for $19.95 for adults and $11.95 for kids.

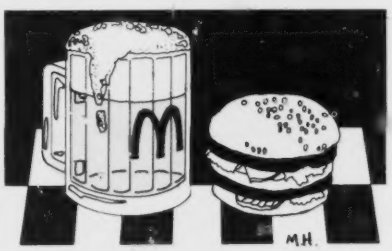
Just a reminder, Father's Day is June 17.

—Seafood Leader

Big-Mac and beer?

A McDonald's restaurant in Mammoth, CA, wants to sell beer and wine to accompany its other menu selections. If permission is granted, this restaurant would be the first of 6,000 McDonald's to offer alcoholic beverages. (McDonald's outlets in Germany and France already sell these products.)

State officials will more than likely grant the license, and thus far, there is no local objection. But



don't place your order for a Big Mac and a beer just yet.

McDonald's does not anticipate this concept to spread nationally. "It's not going to be experimental. Mammoth is an adult recreation location, and a large number of tourists are in the area," said a company spokesman.

—USA Today

NRA SEMINAR SCHEDULE

American Regional Cookery
6/26–27 Detroit, MI

Banquets and Buffets
4/11–12 Tampa, FL
4/17–18 Milwaukee, WI
6/6–7 Los Angeles, CA
6/19–20 Westchester, NY

Simplified Baking Workshop
4/4 Exeter, NH
5/8 New York, NY

Off-Premise Catering
4/9–10 Atlantic City, NJ
4/30–5/1 Las Vegas, NV
5/19–20 Chicago, IL (NRA Show)

Computers in Foodservice: A Primer*
5/19 Chicago, IL (NRA Show)
6/4 New Orleans, LA
6/18 Kansas City, MO

Computers in Foodservice: Advanced Technologies/Now That I Have One . . .*
5/20 Chicago, IL (NRA Show)
6/5 New Orleans, LA
6/19 Kansas City, MO

Perfecting Your Culinary Skills
4/10 Richmond, VA
4/19 Atlanta, GA

Restaurant Design & Facilities Planning
5/19–20 Chicago, IL (NRA Show)

Dining Room Management
4/10 Atlantic City, NJ
4/16 Oklahoma City, OK
4/18 Memphis, TN
5/19 Chicago, IL (NRA Show)
6/4 Newport, RI
6/13 Washington, DC
6/25 Indianapolis, IN
6/27 Wichita, KS

Controlling Food Cost
4/16 Kansas City, MO
5/19 Chicago, IL (NRA Show)
6/18 Salt Lake City, UT

Kitchen Management
4/10 Atlantic City, NJ
4/16 Pittsburgh, PA
4/18 Cincinnati, OH
4/30 Boston, MA
5/2 Binghamton, NY
5/20 Chicago, IL (NRA Show)
5/29 Ft. Worth, TX
6/11 Minneapolis, MN
6/13 Omaha, NE
6/20 Lancaster, PA
6/25 Billings, MT
6/27 Boise, ID

Principles of Labor Cost Management*
4/11 Philadelphia, PA
4/24 Baltimore, MD
5/7 Seattle, WA
5/9 San Francisco, CA
6/11 Dewey Beach, DE

Advanced Labor Cost Management*
4/12 Philadelphia, PA
4/25 Baltimore, MD
5/8 Seattle, WA
5/10 San Francisco, CA
6/12 Dewey Beach, DE

Location! Location! Location! How to Successfully Negotiate and Finance Your New Operation
4/4–5 New York, NY
5/19–20 Chicago, IL (NRA Show)

Planning and Implementing Restaurant Marketing Strategy
4/2–3 Hartford, CT
4/25–26 Denver, CO
4/30–5/1 Washington, DC

Menu Development
5/20 Chicago, IL (NRA Show)

Creative Merchandising Techniques
4/9 Atlantic City, NJ
5/9 Wilmington, DE
6/4 Tacoma, WA
6/5 Portland, OR

Motivation: Increasing the Desire to Do More and Better Work
4/24 San Francisco, CA
5/2 Minneapolis, MN
5/20 Chicago, IL (NRA Show)

Opening a Restaurant: Before You Start Cooking . . .
4/3 Raleigh, NC
4/7 Seattle, WA
4/9 Portland, ME
5/19 Chicago, IL (NRA Show)

Operational Analysis
5/7–8 Philadelphia, PA
5/19–20 Chicago, IL (NRA Show)
6/19–20 Milwaukee, WI

The Pantry: Prep for Profit
4/26 Detroit, MI
5/1 Las Vegas, NV
5/3 San Francisco, CA

Basic Purchasing
4/2 Los Angeles, CA
4/9 Atlantic City, NJ
4/30 Little Rock, AR
5/7 Des Moines, IA
6/20 Chicago, IL
6/25 Boston, MA

Basic Supervision in Foodservice
4/3 Chicago, IL
4/17 New Orleans, LA
5/8 Milwaukee, WI
6/12 Los Angeles, CA
6/26 Boston, MA

Train the Trainer
4/26 Los Angeles, CA

Wine: Sales and Merchandising
4/17 Atlanta, GA
4/19 New Orleans, LA
5/15 Williamsburg, VA
6/11 Denver, CO
6/28 San Diego, CA

For more information, contact:

NRA Education Programs
311 First Street, N.W.
Washington, DC 20001
(800) 424-5156

STUDY GROUP MEETINGS

Financial Officers
4/4-6 **San Francisco, CA**

Tax Executives
4/4-6 **San Francisco, CA**

Marketing Executives
4/8-11 **Washington, D.C.**

EDP
4/24-27 **Clearwater Beach, FL**

Safety Officers
4/25-27 **Atlanta, GA**

Quality Assurance
5/8-9 **Arlington, VA**

Purchasing
5/16-18 **Chicago, IL**

MAECO
5/16-18 **Chicago, IL**

Food Service Security Council
7/15-18 **Jackson Hole, WY**

For more information on specific study groups, contact Philip Kralovec, (312) 853-2525

* Please note that there are basic and advanced courses on the topics of labor cost controls and computers. These programs are scheduled consecutively but either one can be taken independently of the other.

IN-HOUSE SEMINARS MAY BE ARRANGED UPON REQUEST

If you are going to be the power in your market, you must have the latest and best information on our industry and a staff with the know-how to make it work. There's one sure way to have both. Bring your staff to NRA's Show Seminar Series— McCormick Place, Chicago, Il.

POWER IN NUMBERS

ONE-DAY SEMINARS

MAY 19, SATURDAY

OPENING A RESTAURANT
Before You Start Cooking. . .

If you are gearing up to open a foodservice operation of your own, don't make a move until you attend this new NRA seminar. You'll discover how to map out your business strategy to avoid costly and sometimes disastrous mistakes.

COMPUTERS IN FOODSERVICE
A Primer

By 1990 the computer will be the nerve center of most foodservice operations across America. This computer introduction will bring you up-to-date on how computers are being used in our industry.

CONTROLLING FOOD COST

This seminar hits every area of potential profit loss due to food purchasing, mishandling and waste and will give you a solid review of the basics and a chance to pick up money-saving ideas.

DINING ROOM MANAGEMENT
Creating The Right Environment— Profitably

From daily demands such as handling complaints and scheduling to long-term management goals including motivation and increased check size, you'll get a comprehensive check list to start you on the route to success.

MAY 20, SUNDAY

COMPUTERS IN FOODSERVICE
Advanced Technology/ Now That I Have One. . .

What you can do with it and what it can do for you is the subject of NRA's advanced computers seminar. You'll take an in-depth look at increased profit potential, learn what computers can mean in customer service, and focus on hardware and software systems as well as integrated system design.

MENU DEVELOPMENT
A Key To Improved Sales And Profit

The menu is your number one sales and marketing tool; every decision you make about price, selection and layout will have a direct impact on your bottom line.

This seminar will teach you how to build a successful menu starting with the basics—from menu additions to layout and design.

KITCHEN MANAGEMENT
Basics For Managers And Supervisors

You must have a firm grasp on the wide range of fundamental kitchen management skills required to run today's restaurants.

This seminar provides easy-to-implement, money-saving techniques for improving efficiency and productivity.

MOTIVATION
A Key To Successful Personnel Management

Examines the psychology behind motivation techniques and identifies motivators which work in today's environment. You'll leave this seminar with the information and materials you need to boost productivity in your operation!

TWO-DAY SEMINARS

MAY 19–20 SATURDAY AND SUNDAY

LOCATION, LOCATION, LOCATION!
How To Successfully Negotiate And Finance Your New Operation

Covers the nuts and bolts of the decision-making process from demographic criteria to the intricacies of financing in today's market.

You will learn how to select and evaluate a site selection, negotiate a deal and finance a loan that will keep you in business.

RESTAURANT DESIGN AND FACILITIES PLANNING

This program will provide the principles that you need to know—not only to make your project run smoothly now, but to help make your new facility work for you and contribute to your operation's profitability.

OFF-PREMISE CATERING
Opening A New Profit Center

In a competitive marketplace, catering may be your key to survival. It allows you an opportunity to enhance the reputation of your restaurant, increase its exposure and add to your sales base.

OPERATIONAL ANALYSIS
Understanding Foodservice Revenues and Expenses

Whether you're battling with uncontrollable food and labor costs, need to look at potential profit areas or are just unsure where your "money leak" is taking place, this seminar will give you the tools to become an effective analyst of your own operation.

REGISTRATION FORM

Seminar _____ Cost _____
Name _____
Position _____

Seminar _____ _____
Name _____
Position _____

_____
Total

	NRA members	Non-members
One-day seminars		
One attendee	$140	$170
Two or more	$125 each	$155 each
Two-day seminars		
One attendee	$310	$370
Two or more	$245 each	$310 each

Company Name _____
Address _____
City, State, ZIP _____
Phone _____

NRA Member _____ Non-member _____

Check Enclosed _____
Make checks payable to National Restaurant Association.

Mail this form to, or call:
National Restaurant Association
311 First St., NW
Washington, DC 20001
(800) 424-5156, (202) 638-6100

HOTEL INFORMATION

Please remember that hotel space in Chicago during the NRA Show is limited. If you need hotel reservations, contact Lennie Torres at NRA's Chicago office, (312) 853-2525. Be sure to mention that you will be attending the NRA Show Seminars.